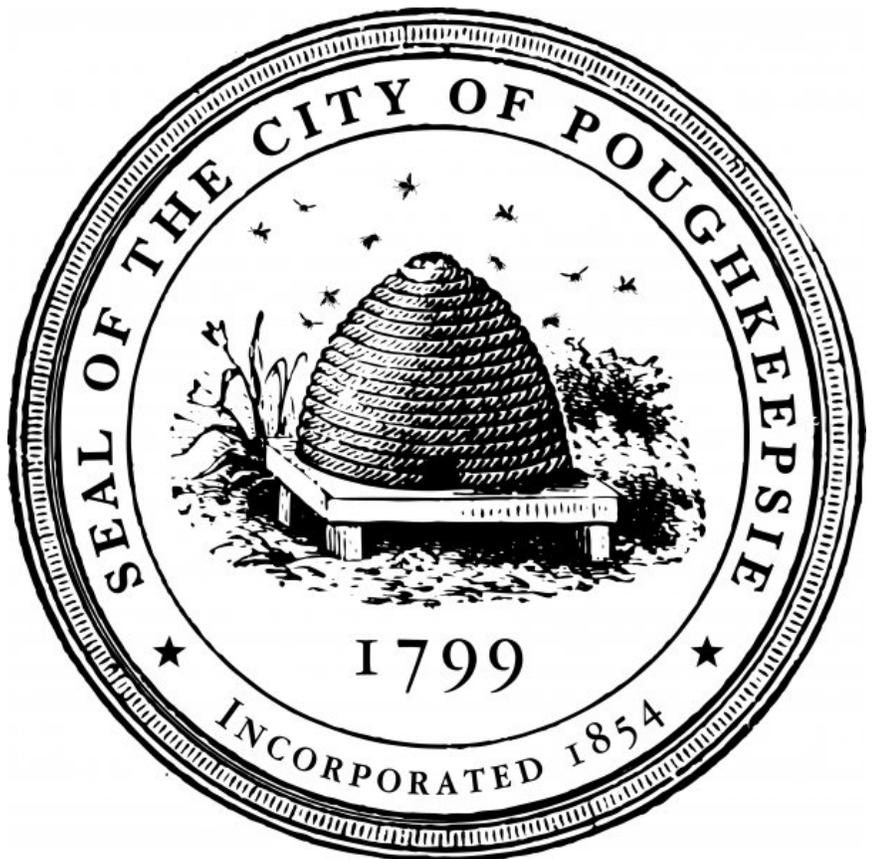




**STRATEGIC
FISCAL
IMPROVEMENT
PLAN
(2015/2016)**

PREPARED WITH THE
ASSISTANCE OF:



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SPECIAL NOTE: Support, assistance, and input from the various stakeholders of the City is crucial. Thus, ensuring transparency in the implementation of the City's plan will be integral to the overall success of the plan.

SECTION I

EXECUTIVE SUMMARY

INTRODUCTION- THE STRATEGIC FISCAL IMPROVEMENT PLAN

For several years the City of Poughkeepsie, Dutchess County, New York (the “City”), has and continues to suffer serious and dire financial conditions. These conditions have resulted in an accumulated deficit position in the City’s General Fund of approximately \$11.1 million, as of December 31, 2014. Despite showing signs of stabilization in 2013 and 2014, failure to adequately address the deficit position in the coming years will endanger the City’s ability to provide for the health, safety, and wellbeing of its residents, businesses, and visitors alike.

Due to the City’s fiscal position and a need for immediate action, the City Administrator engaged Capital Markets Advisors, LLC (“CMA”) to assist with the development of a strategic fiscal improvement plan aimed at reducing the current deficit position and reestablishing the City’s credit rating.

An evaluation of City was conducted between June and December of 2015. During that time CMA staff conducted several on-site interviews with City officials and gathered information on City operations. In addition, CMA also accumulated data on comparable municipalities. This report presents the findings of the evaluations and includes various recommendations, which are summarized in Section IV. . Input from City officials has been incorporate throughout the plan.

At the onset of this report the City’s credit rating with Moody’s Investor Services (“Moody’s”) was “Baa3”with a negative outlook, which was dangerously close to a non-investment grade credit rating. Regrettably, on March 1, 2016, after a comprehensive evaluation, Moody’s downgraded the long term general obligation credit rating of the City to “Ba1,” while maintaining the negative outlook. The below investment grade credit rating of “Ba1” indicates a substantial credit risk on the debt obligations of the City. Since the credit rating is the primary factor in determining an entity’s ability to access to the capital markets, and ultimately the interest that is paid, the downgrade will have a material impact on the City. As will be highlighted throughout this report, the City’s infrastructure is rapidly aging and will require significant attention in the coming years. Failure to proactively address future infrastructure needs will result in significant costs if repairs are completed on an emergency basis. This would only exacerbate the fiscal problems of the City. Thus, it is imperative that the City also focus on restoring an investment grade credit rating. Although re-establishing the credit rating could take several years to complete, the first step will be to focus on the removal of the negative outlook. Removal of the outlook is a short-term goal and will suggest the perception of stabilization. In this respect, addressing the immediate cash flow needs of the City would be beneficial. The reestablishment of an investment grade credit rating can be considered a long-term goal, one which would signify the perception of substantial improvement. For this, the City will need to demonstrate a positive trend of actual results over a range of time.

Capital Markets Advisors, LLC. Capital Markets Advisors, LLC (“CMA”) is an independent registered municipal advisor firm serving the financing needs of public jurisdictions from offices on Long Island, Western New York, the Hudson Valley and New York’s Southern Tier. The firm is registered as a municipal advisor with the Securities and Exchange Commission and Municipal Securities Rulemaking Board.

CMA professionals assist public jurisdictions with the planning and issuance of notes, bonds and lease financing to fund capital projects and cash flow needs. As part of our comprehensive service, CMA plans and structures debt offerings, prepares disclosure documents, assists in securing credit ratings and credit enhancement, sells new money debt, refunds existing debt via competitive and negotiated sales and competitively bids out escrow accounts. CMA also advises its clients on strategic planning. Strategic planning services provided to municipal governments by CMA include:

- Development of multi-year financial plan that addresses, among other things, operations, existing and future debt, efficiency and management practices
- Budgetary analysis
- Development of budget presentation books
- Optimization of grants and resources and grant applications
- Review of existing contracts and leases between the client and third parties, including recommendations, as appropriate
- Creation of comprehensive credit rating presentations and participation in their presentation
- *Development of strategic plans to reduce or eliminate structural budget deficits*
- Identification of opportunities for consolidation of services or shared services

CMA was founded in 2002 and is currently owned by its two principals, Richard Tortora and Rick Ganci. In 2015, Thompson Reuters ranked CMA 1st in New York State and 9th in the nation among all municipal advisors. CMA expects to serve as advisor on just under 400 note, bond and lease financings with a total par amount of over \$5.5 billion in 2015. CMA is consistently one of the most active municipal advisors in the nation.

The City of Poughkeepsie, through December 31, 2014, accumulated a deficit position in the General Fund in excess of \$11.1 million. The deficit developed after several years of aggressive budgeting practices which produced budgets which were structurally unstable and volatile. In recent years, however, the City has committed to a more conservative approach to fiscal planning, which proved to be the critical first step in re-establishing its financial stability. Accordingly, the more conservative approach enabled the City to end the 2014 fiscal year with a General Fund surplus for the second consecutive year. The City intends to maintain this approach as a means to combat future deficits and to maintain level operations. However, in order to efficiently reduce, and ultimately eliminate, the deficit position of the General Fund, additional measures may be necessary. As such, the following plan focuses on solutions that provide the greatest positive fiscal benefit with the smallest impact on property taxes.

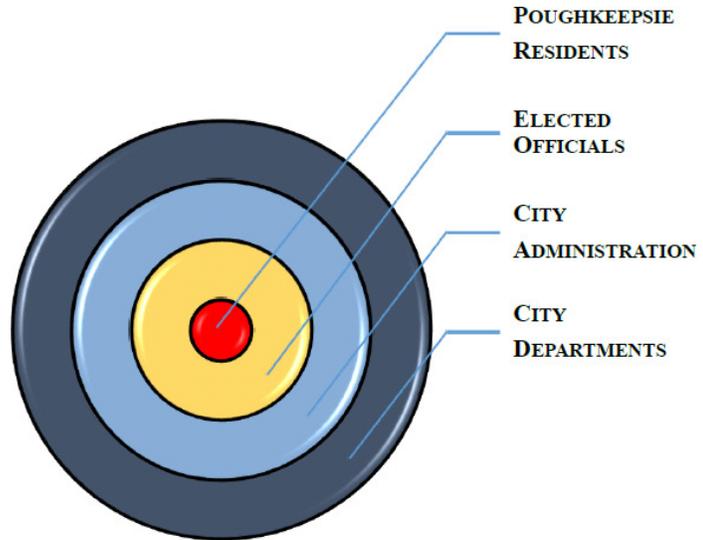
INTRODUCTION- THE CITY OF POUGHKEEPSIE

General Information & History. The City of Poughkeepsie was incorporated in 1854 and encompasses a land mass of approximately 4.9 square miles. It is situated along the banks of the Hudson River in the west central area of Dutchess County in New York State's Hudson Valley. Due to its prime location, the City serves as the seat for Dutchess County government and as the County's financial and commercial center.

With an estimated population of 32,736 (2010 US Census), the City is the seventeenth most populated city in New York State. According to information obtained from the Office of the New York State Comptroller, the City's total expenditures and other uses of approximately \$74.2 million in 2014 placed the City sixteenth among cities statewide, excluding New York City and

three cities which failed to report data. Total revenues and other sources of approximately \$78.3 million also placed the City seventieth compared to the same list of reporting cities for 2014. Located only 70 miles north of New York City, direct railway access affords residents the ability to commute to jobs in Manhattan City and also the general New York metropolitan area.

Form of Government. The City was incorporated with the powers and responsibilities inherent in the operation of a municipal government including independent taxing and debt authority. Subject to the provisions of the State Constitution, the City operates in accordance with its charter as well as with various other statutes including General City Law, General Municipal Law, the Local Finance Law and the Real Property Tax law, to the extent that these statutes apply to a city operating with a charter. Pursuant to a charter amendment approved by the voters in November 1994, the City implemented a mayor/administrator form of government in 1996.



City Council. The Common Council is the legislative body of the City consisting of eight members who represent each of the City’s eight wards. Members are elected to two-year terms of office and may serve no more than eight consecutive years. On January 1, 2016 the Council welcomed three new members.

Mayor / Chief Executive Officer. The Mayor is the Chief Executive Officer of the City and is elected at a general election for a four-year term. The Mayor may serve no more than eight consecutive years and the position is not full-time.

City Administrator / Chief Administrative Officer. The City Administrator (the “Administrator”), who is appointed by and serves at the pleasure of the Mayor with the concurrence of the Common Council, is the Chief Administrative Officer of the City and is responsible for overseeing the day-to-day operations of the City. The Administrator assists the Mayor and Council in reviewing and developing policy recommendations. In addition, the Administrator assists with the development of the annual operating budget and the City’s five-year capital plan. The Administrator supervises all department heads in the city government except the City Chamberlain and the Corporation Counsel who are mayoral appointees.

Commissioner of Finance / Chief Financial Officer. The Commissioner of Finance is appointed by the Administrator and is the Chief Fiscal Officer of the City. Duties of this office include the custody of all City funds, tax collection and enforcement, maintaining accounting records and preparing financial statements and reports. Budgetary control is the joint responsibility of the Administrator and Commissioner of Finance. Pursuant to the City Charter and, as provided in the Local Finance Law, the Commissioner of Finance coordinates the issuance of all City indebtedness. In absence of the Commissioner of Finance, the Deputy Commissioner of Finance assumes responsibility as the Acting Commissioner of Finance.

THE STATE OF THE CITY – 2015 YEAR END

The following two paragraphs have been written by City officials for incorporation into the strategic plan. The paragraphs provide an internal perspective *as of December 2015*.

The City of Poughkeepsie has always been challenged by a high poverty population, an abundance of tax exempt properties, and a high level of susceptibility to the economic conditions of the country. As a rule, the City of Poughkeepsie has suffered through the ups and downs of the nation's economic climate. In 2008, the City was already in a fund deficit situation that only continued to worsen as the Great Recession hit. The revenues were continually short compared to the rising costs of labor, retirement, and health insurance. There was no room for the City to maneuver and had to resort to serious expense controls that were met with many roadblocks. Through all this, the Administration plugged through the challenges with hopes of stemming the overwhelming deficits of 2010, 2011, and 2012.

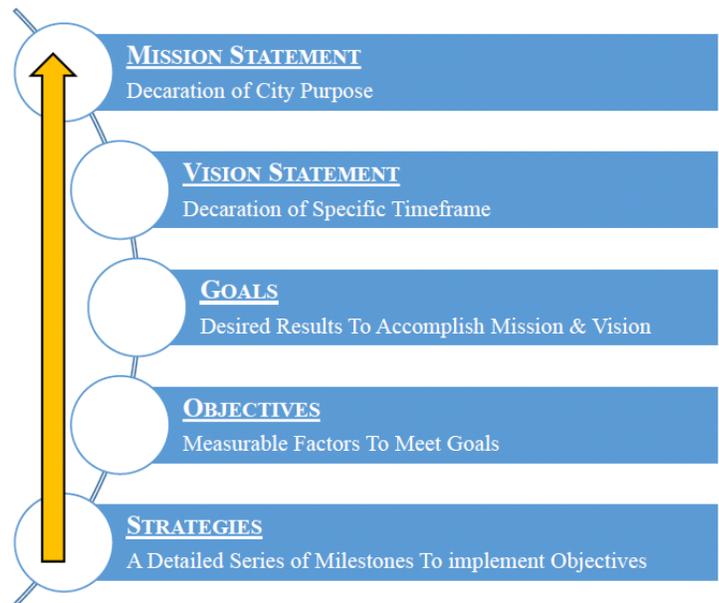
The years 2013 and 2014 finally saw some breakthroughs. The City had operating surpluses, and is quite confident that it may experience at least a break even for fiscal year 2015. These may have been the most challenging stretch of economic challenges for any Administration. With patience, perseverance, and diligence, all the hard work that the City has put in is starting to show some positive results. We feel that the City of Poughkeepsie is positioned for strong recovery.

CITY MISSION

Mission Statement. The City of Poughkeepsie is dedicated to providing excellent municipal services that enhance the quality of life for our diverse community and are consistent with the rich history and culture of our City.

Vision Statement. Poughkeepsie's vision for its future is a self-sustaining small riverfront city with a traditional downtown and Main Street whose activities and commerce serve the surrounding neighborhoods. The City will be a place where people choose to live and work because they prefer the convenience, diversity, sense of community, entertainment and other benefits of an urban environment. Neighborhoods are well maintained and provide safe, healthy places to raise families. Work, shopping, and schools are within walking distance of each other, and the City's street system makes it easy to navigate for pedestrians and vehicles alike. The City serves as a regional hub for government, culture, education, transportation, and business. The City's waterfront will continue to be a vibrant focal point of the community. This vision is a shared goal of the community for Poughkeepsie's future.

Short & Long Term Goals. Goals are result-oriented, broad statements of policy or intention and represent certain aspects of the vision. In fact, goals are generally created in tandem with the



vision statement. They highlight desired results and ultimately assist in creating a pathway to fulfilling the mission. Goals can focus on both internal and external factors, and although these two categories may overlap it is important to focus on both. Since goals lead to the fulfillment of the mission, their timeframe is generally shorter in nature. It is important to make certain that a goal be both practical and focused on improvement.

According to the Office of the State Comptroller, goals should:

- Support The Mission
- Be Consistent With Legislative Authority
- Be Measurable
- Provide Direction
- Be Realistic, But Also Challenging
- Be Reflective Of The City's Priorities
- Be Logical And Clear

Source: The New York Office of the State Comptroller (Local Government Management Guide – Strategic Planning).

RECOMMENDATION – GENERAL I: DEVELOP LONG & SHORT TERM GOALS FOCUSING ON ACHIEVING THE CITY'S MISSION & VISION STATEMENT.

In conjunction with the City Counsel, the Administration should develop a set of both long and short-term goals that specifically address the City's mission, vision, and the deficit position of the General Fund. The goals account for internal and external factors. The goals should focus on restoring annual structural balance to the City's finances and should be created with milestones so that fiscal progress can be measured. Instituting fiscal status reports for the review of the Administration and Council may be helpful in the evaluation of progress.

Plan Objectives. As noted, it is important to continually monitor progress if goals are to be met. Objectives assist by setting measurable criteria and time periods to assist with this. Goals are broad, whereas objectives are much more targeted.

The purpose of this Strategic Plan is to assist the City in developing a set of fiscal goals, while concurrently identifying various objectives that will support its efforts.

Strategies. One key factor to take note of, strategies are fluid and not static. Thus, it may be necessary to revise the plan periodically as the future needs of the City will likely also fluctuate.

As demonstrated in recent years, economic trends and current events drastically influence the needs and actions of a government. Therefore, frequent review of the City's strategic plan will help to ensure the plan remains precisely targeted on the City's end goal.

BENEFITS OF STRATEGIC FISCAL PLANNING

As noted, a strategic plan is founded on a vision and will continue long after the initial framework is set. It is a tool that sets a clear path for the future, while also allowing the vision to mature and evolve as time passes. Strategic planning is also preventative in nature, which means it is designed to assist in achieving maximum effectiveness and efficiency before a crisis is reached.

It is possible that the City is currently following strategic planning principals without even knowing it. However, formalizing a plan into a structured format for all to see and follow may assist in the City's ability to achieve its fiscal goals. In essence, by formalizing a plan and having input from the participants and stakeholders, the City will be more apt to get support from all concerned parties.

When addressing fiscal concerns and developing a strategic plan, the following factors should be careful consider:

- *Develop a long-term plan which maintains a focus on the underlying cause of the distress.*
 - Likely there will not be as single cause, but multiple causes. Thus, the long-term plan will need to address several complex issues that are tightly interconnected.

- *Learn about and utilize all available resources. Help can come in many forms.*
 - This may mean consulting with external professionals. Experienced professionals may provide a fresh viewpoint and as an expert they will be capable of highlighting factors which otherwise may be overlooked. In addition, parent governments (such as the County and the State) may also be able to provide assistance. However, a key aspect of engaging surrounding governments and the citizenry will be transparency and open communication by the City government.

- *All of the following elements will have an impact on a government's bottom line, and, as a result, they should be carefully considered during the creation of a strategic fiscal plan.*
 - Economy And Tax Base
 - Revenue/Expenditure Trends And Forecasting
 - Debt And Pension Management
 - Finances And Accounting Practices
 - Fiscal Strategies And Policies
 - Availability Of Cash (Liquidity)
 - Administrative Strengths And Weaknesses
 - Limiting External Factors (Such As The State Imposed Tax Cap)

- *The adoption of fiscal policies sets a solid framework for a plan. They reinforce and clarify standards, while providing a definition of what actions are acceptable. Finally, they foster stability and ensure uniformity and consistency in the decision-making process. Some examples of polices utilized by municipal governments include:*
 - Revenue And Expenditure Assumption Policies
 - Budget Amendments And Update Policies
 - Long Term Financial Planning
 - Long Term Capital Planning
 - Investment Management Policies
 - Debt Management Policies
 - Reserve And Liquidity Policies

STATE FISCAL DISTRESS DETERMINATION

The Fiscal Stress Monitoring System. The Office of the State Comptroller (“OSC”) has a constitutional and statutory function to oversee, analyze, and provide details on the fiscal health of New York governmental entities. As such, in 2013 they developed a Fiscal Stress Monitoring System (“FSMS”) to assist in providing an early identification of municipalities that are susceptible to certain forms of financial stress. Early detection affords elected officials the ability to strategically plan so that current behaviors can be altered in such a way that future results are improved. Corrective actions have the potential to reduce costs, increase efficiency, and to ensure that essential governmental services are effectively provided to residents.

Under the FSMS, fiscal stress scores are based on financial information that is required to be filed annually with the. Using financial indicators that include year-end fund balance, cash position and patterns of operating deficits, the system creates an overall fiscal stress score which classifies whether an entity is in one of the following three categories of fiscal stress:

- *Significant Fiscal Stress*
- *Moderate Fiscal Stress*
- *Susceptible To Fiscal Stress*

Special Note: Entities that do not accumulate the number of points that would place them in a stress category will receive a financial score but will be classified in a category of “no designation.” This classification should not be interpreted to imply that the entity is completely free of fiscal stress conditions. Rather, the entity’s financial information, when objectively scored according to the FSMS criteria, did not generate sufficient points to place them in one of the three established stress categories.

Source: The New York Office of the State Comptroller (the Fiscal Stress Monitoring System).

According to information released by OSC in 2014 (2014 Annual Report on Local Governments), the following characteristics were common amongst entities who received a stressed designation:

- Low Fund Balance
- Poor Cash Position
- Chronic Deficits
- Use Of Short-Term Debt To Bridge Cash Flow Gaps
- Environmental Or Demographic Challenges Including:
 - High Child Poverty Rate
 - Loss Of Jobs
 - Declining Property Values
 - Decreased State And Federal Funding
 - Aging Population

Nevertheless, it should be noted that a stressed designation does not guarantee future fiscal troubles. Instead, it is meant to be an early indicator so that local governments and the public can have the necessary conversations and begin taking corrective action before the financial condition of their local jurisdictions reaches a dangerous level.

The Fiscal Stress Monitoring System – Statewide Findings.

September 2015 OSC Report. OSC released a set ranking for municipal jurisdictions operating on a calendar year basis in September of 2015. The scores were based on 2014 operating results and marked the third release by OSC since the commencement of the FSMS program. Compared to previous releases, the 2015 release is particularly interesting. Given that three years of data is available, it becomes possible to detect trends for each of the reporting entities. A report was subsequently released by OSC summarizing their findings over the three year period. A full copy of the September 2015 report can be obtained by visiting the official FSMS website : (http://www.osc.state.ny.us/localgov/fiscalmonitoring/pdf/threeyearsfsms_0915.pdf). In addition, a general discussion of OSC findings based on the September 2015 report, is included in the below section.

The September 2015 information released by OSC included data for 1,043 municipal jurisdiction who operate on a calendar fiscal years. This included 57 counties, 932 towns, 44 cities and 10 villages. Of the 1,043 entities, OSC was able to calculate scores under the FMSM system for 968 jurisdictions. Excluding the un-scored jurisdictions, 95.5% of the jurisdictions were categorized by OSC as “no designation,” 1.8% were categorized as “susceptible to fiscal stress,” 1.1% were categorized as “moderate fiscal stress,” and 3.5% were categorized as “susceptible to fiscal stress,” and 1.6% were categorized as “significant fiscal stress.”

A further breakdown of reporting governmental entities is provided in Exhibit – FM I and Exhibit FM-II below:

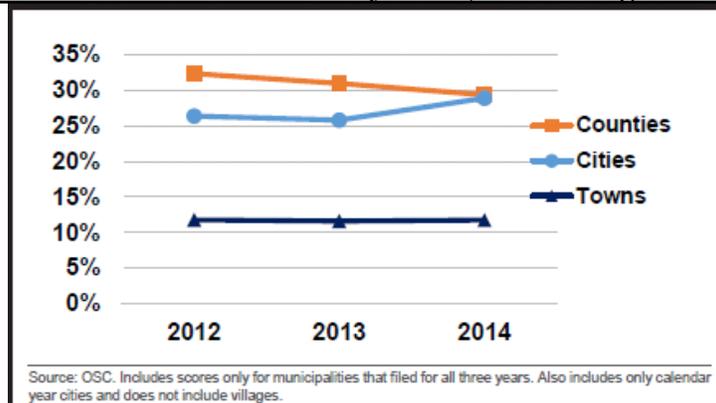
**Exhibit – FM I
Trend of Fiscal Stress Designations (2012 Through 2014) ⁽¹⁾**

Designation	2012	2013	2014
Stress Designation:			
Significant Fiscal Stress	12	10	15
Moderate Fiscal Stress	10	8	11
Susceptible To Fiscal Stress	18	17	18
Total Stress Designations	40	35	44
No Designation	961	943	44
Not Filed / Inconclusive Data	42	65	924
TOTAL:	1,043	1,043	1,043

(1): Data for New York State municipalities operating on a calendar fiscal year.

Source: The New York Office of the State Comptroller (“Three Years of the Fiscal Stress Monitoring System” dated September 2015).

Exhibit – FM II
Trend of Fiscal Stress Scores By Class (2012 Through 2014) ⁽¹⁾



(1): The above table was extracted directly from the September 2015 OSC report.

Source: The New York Office of the State Comptroller (“Three Years of the Fiscal Stress Monitoring System” dated September 2015).

The three years of data shows modest annual change in the number of entities holding a stress designation. Nevertheless, according to OSC’s report, the data suggests that cities may be more prone to experiencing financial stress.

The Fiscal Stress Monitoring System – The City. Based on information provided by OSC in September of 2015, the FSMS for the 2014 fiscal year provided a score of 62.5% for the City, which places it in the “moderate fiscal stress” category. This represented a slight improvement compared to the City’s 2013 and 2012 scores of 65.8% and 69.2%, respectively. The median score for all NY (State rated) City’s for the 2014 fiscal year was estimated to be approximately 26.9%. Over the same period of time, Mid-Hudson Region cities averaged a fiscal score of 25.1%.

As indicated by OSC, negative factors impacting the City’s fiscal score included:

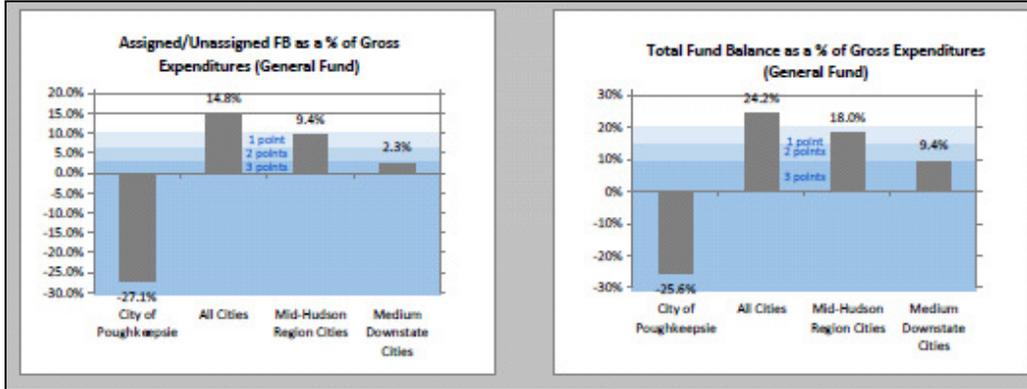
- Low Fund Balance / Deficit General Fund Position
- Operating Deficits
- Low Available Cash Ratio (Cash / Current Liabilities)
- Cash Percentage of Monthly Expenditures
- Modest Levels of Outstanding Debt Obligations

Source: The New York Office of the State Comptroller (Fiscal Stress Monitoring System Search Tool).

The FSMS provided the City with an Environmental Score of 32.1% for the 2014 fiscal year, which represented an decrease compared to the 2013 fiscal year score of 36.3%.

Exhibits – FMIII through FM VI provide an illustration of how the City compared in certain fiscal factors to all rated State cities, Mid-Hudson Region cities, and medium sized down state cities (according to data provided by OSC’s Fiscal Stress Monitoring System Search Tool).

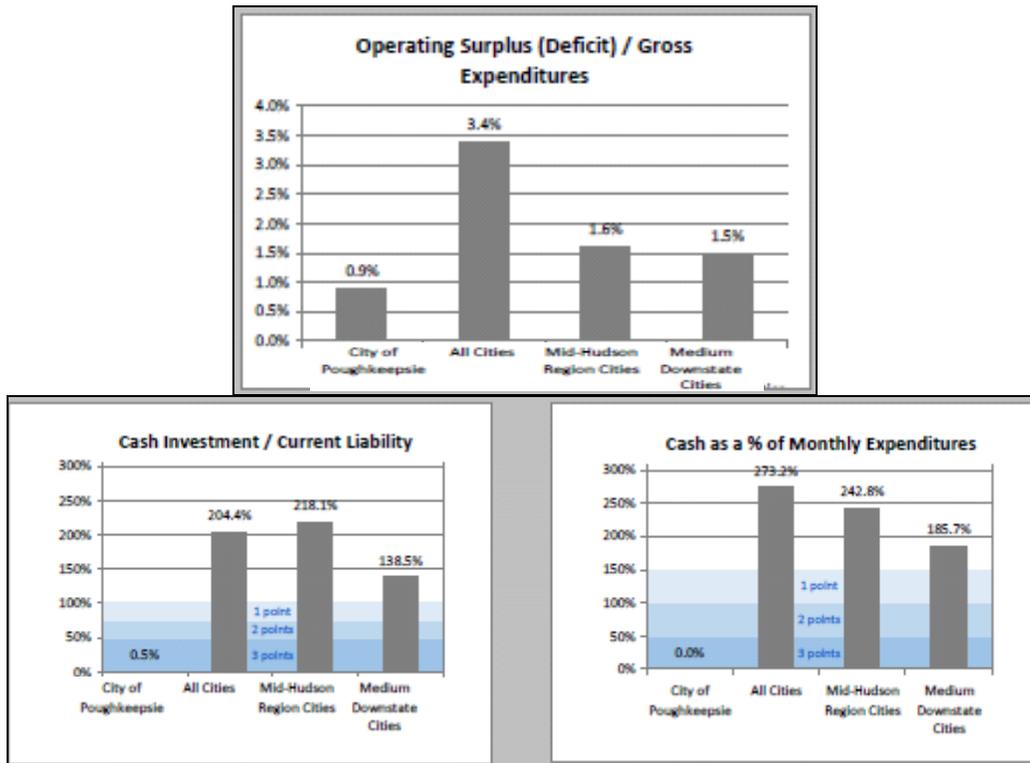
Exhibit – FM III
Fund Balance Measures – 2014 Fiscal Year (As Measured By The FSMS, OSC)



Source: Extracted directly from the New York Office of the State Comptroller (Fiscal Stress Monitoring System Search Tool, City of Poughkeepsie Self Assessment).

With an (audited) General Fund deficit of \$11.1 million at December 31, 2014, it comes as no surprise that the City was rated poorly amongst other New York State cities.

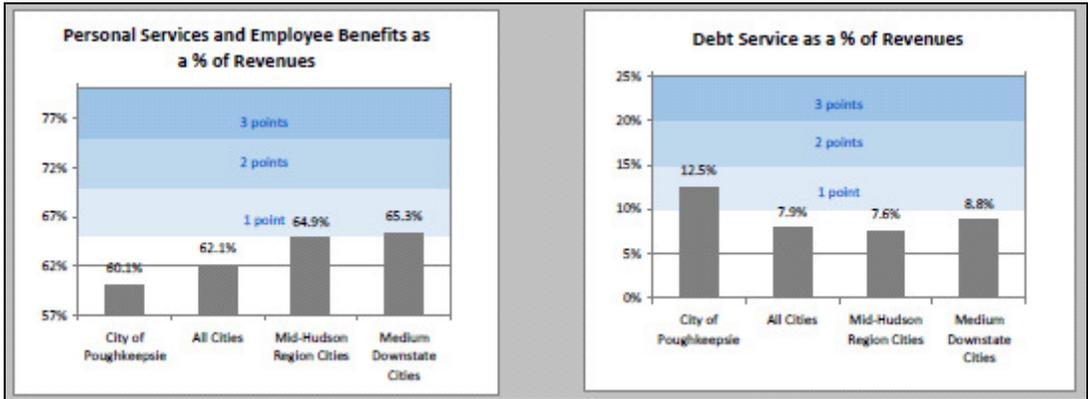
Exhibit – FM IV
2014 Operational Cash Measures (As Measured By The FSMS, OSC)



Operational cash remained considerably lower than for other reporting cities.

Source: Extracted directly from the New York Office of the State Comptroller (Fiscal Stress Monitoring System Search Tool, City of Poughkeepsie Self Assessment).

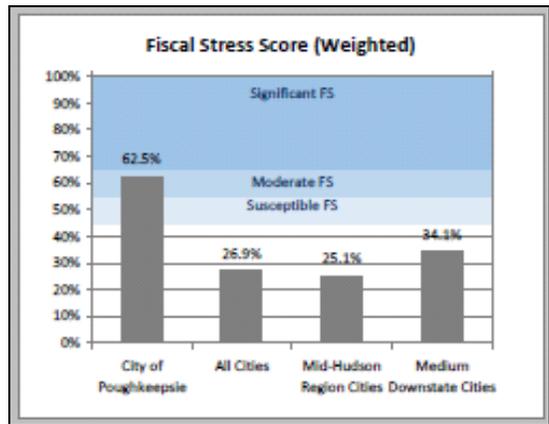
Exhibit – FM V
Personnel Services, Employee Benefits, & Debt - 2014 (As Measured By The FSMS, OSC)



Source: Extracted directly from the New York Office of the State Comptroller (Fiscal Stress Monitoring System Search Tool, City of Poughkeepsie Self Assessment).

According to the State analysis, statistics involving personnel services, employee benefits, and debt service for Poughkeepsie were moderate in comparison to other reporting cities.

Exhibit – FM VI
Overall Fiscal Score – 2014 Fiscal Year (As Measured By The FSMS, OSC)



Source: Extracted directly from the New York Office of the State Comptroller (Fiscal Stress Monitoring System Search Tool, City of Poughkeepsie Self Assessment).

For 2014, the mean score for all reporting cities across the State was 26.9%, which would mean a fiscal stress designation is not common. However, the States Fiscal Monitoring System provided Poughkeepsie with an overall fiscal score or 62.5%, which places the City in the “moderate fiscal stress” category. For the previous 2 years the City was classified with a designation of “significant fiscal stress.” Despite recent improvement to the FSMS designation, the City’s financial conditions remain stressed and will require substantial attention.

Local Government Classifications of Fiscal Stress	
Percentage of Total Points	Classification of Fiscal Stress
65% – 100%	Significant Fiscal Stress
55% – 64.9%	Moderate Fiscal Stress <- Poughkeepsie 2014 FSMS Score
45% – 54.9%	Susceptible to Fiscal Stress
0% – 44.9%	No Designation

Source: The New York Office of the State Comptroller (2014 Annual Report on Local Governments).

State Assistance to Fiscally Stress Entities. Once the FSMS has identified a municipal entity as experiencing financial stress, there are various services provided by the State which can provide varying degrees of assistance. Most (to all) services are provided through the OSC and through regional offices run by the OSC.

Examples of such State services include:

- *Budget Reviews* – Review of annual budgets prior to adoption. The review is intended to ensure that revenue and expenditure projections are sensible, and that the budget is in structural balance.
- *Varying Degrees of Technical Assistance* – OSC may discuss indicators that, in their opinion, resulted in the fiscal stress determination/score.
- *Multi-Year Financial Planning* – OSC provides multi-year financial planning tool through their website. In addition the Financial Restructuring Board has the ability, at their discretion, to provide grant funding to assist with the development of a multi-year plan.
- *Various State Publications and Other Resources* – Through their website OSC provides various local government management guides and other publications relating to financial management.
- *Training* – Upon request, and at various times throughout the year, OSC may offer online training, regional training, and association and conference trainings.

RECOMMENDATION – FISCAL MONITORING I: TAKE ADVANTAGE OF “SIGNIFICANT STRESS” DESIGNATION BY ACCESSING AVAILABLE STATE PROGRAMS & TOOLS

The Office of the State Comptroller makes available a broad scope of tools aimed at assisting local governments with the management of their finances. Some of these instruments include self-assessment programs, various types of training, management and research guides, tutorials, and a list of best practices. In addition, in 2013 the State implemented a fiscal monitoring system to detect struggling municipal entities.

The States monitoring system was implemented simply to identify local governments that may be susceptible to various forms of stress. A low ranking in the States system does not mean imminent failure is in the future, it is merely a warning sign. However, a low score will provide eligibility for certain State programs, such as assistance from the State Financial Restructuring Board (the “FRB”). Although the City has a pending application with the FRB, it should review

other programs which may assist it in achieving fiscal stability. For instance, in addition to the comprehensive review, the FRB intends to make (grant) funding available so that fiscally eligible entities may hire and utilize an external advisor to assist with the development of a multiyear plan. The City should investigate and determine their eligibility for such programs. Low cost outsourcing to professional firms will provide the City staff with more time to focus on other tasks.

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SECTION II

CITY OPERATIONS & FINANCES

FISCAL ANALYSIS & RECENT TRENDS

General Fund - Fund Balance Analysis. The City has and continues to suffer serious and dire financial conditions. Failure to satisfactorily address the deficits and/or further negative credit rating agency actions may have a materially adverse impact upon the City.

As noted, during the past several years the City has experienced operating and cumulative deficits in the General Fund. The deficit position in the General Fund has been caused primarily by certain expenditures exceeding the amount included in the original budget. In addition, the increased cost of employee benefits have added to the operating losses. The City had a General Fund deficit at December 31, 2014 of negative \$11,114,300. A continued negative position in the General Fund will increasingly jeopardize the City's ability to provide for the health, safety, and welfare of its residents.

The position of the City General Fund since 2010 is illustrated in Exhibits – GF I through GF III

Exhibit – GF I
General Fund Summary of Results (Table) - Fiscal Year Ended December 31, 2010 – 2014

FISCAL YEAR:	2010	2011	2012	2013	2014
Revenues & Transfers In	\$40,238,527	\$41,454,530	\$42,675,271	\$43,348,906	\$43,621,777
Proceeds of Obligations	-0-	-0-	-0-	-0-	-0-
Expenditures & Transfers Out	44,452,350	45,967,665	45,232,956	42,535,105	43,515,518
Operating Surplus/(Deficit)	(4,213,823)	(4,513,135)	(2,557,685)	+813,801	+106,259
Starting Fund Balance	(1,532,022)	(5,522,771)	(9,476,675)	(12,034,360)	(11,034,360)
Residual Equity Transfer	657,741	-0-	-0-	-0-	-0-
Prior Year Adjustments	(434,667)	559,231	-0-	0-	-0-
Fund Balance – End of Year	(\$5,522,771)	(\$9,476,675)	(\$12,034,360)	(\$11,220,559)	(\$11,114,300)

Exhibit – GF II
General Fund Summary of Results (Chart) - Fiscal Year Ended December 31, 2010 – 2014

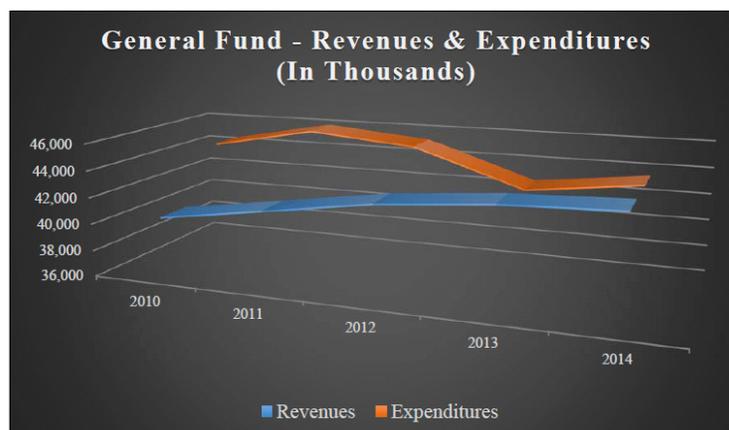
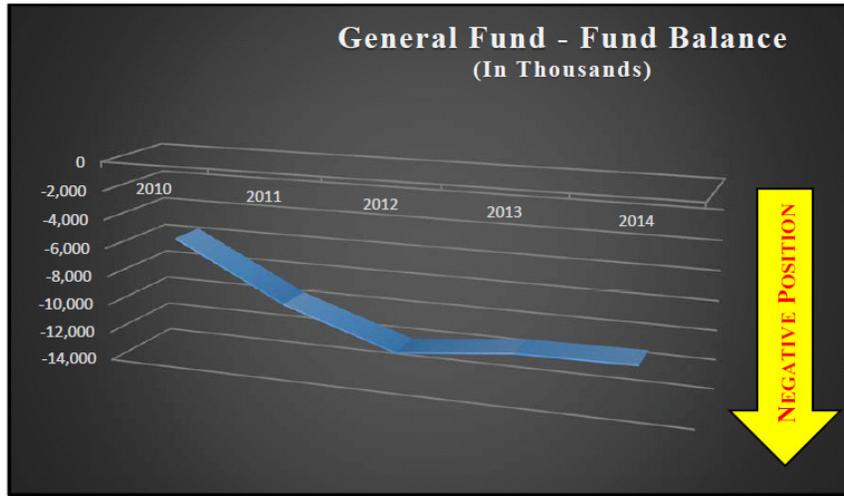


Exhibit – GF III
General Fund Trend of Results - Fiscal Year Ended December 31, 2010 – 2014



Source: The Audited Financial Statements of the City. The Summary itself is not audited.

Despite 2 consecutive years of stable results in 2013 and 2014, the City’s General Fund still suffers from an accumulated deficit of \$11,114,300 as of December 31, 2014.

The composition of the City General Fund since 2010 is shown in Exhibit – GF IV:

Exhibit – GF IV
Fund Balance Composition - Fiscal Years Ended December 31, 2010 - 2014

FISCAL YEAR:		2010
Reserved for:		
Encumbrances	\$	51,309
Snow and Roads		-0-
Other		-0-
Unreserved		<u>(5,574,080)</u>
Fund Balance – End of Year		(\$5,522,771)

FISCAL YEAR:	2011	2012	2013	2014
Fund Equity:				
Nonspendable	\$ -0-	\$ -0-	\$ -0-	\$ 100,101
Restricted	209,001	59,496	-0-	-0-
Committed	-0-	-0-	-0-	65,040
Assigned	1,500,000	1,500,000	1,683,302	-0-
Unassigned	<u>(11,185,676)</u>	<u>(13,593,856)</u>	<u>(12,903,861)</u>	<u>(11,779,444)</u>
Fund Balance – End of Year	(\$9,476,675)	(\$12,034,360)	(\$11,220,559)	(\$11,114,300)

- (1) Beginning with the fiscal year ending December 31, 2011, GASB Statement # 54 required a new categorization of Fund Equity. See “Note A - 3” in the Independent Auditors Report for the year ended December 31, 2011 - 2013.

Source: The Audited Financial Statements of the City. The Summary itself is not audited.

The composition of the fund balance at December 31, 2014 included a negative unassigned balance of approximately \$11.8 million. Despite two years of improvement, the substantial negative unassigned balance represents a major burden to the City's and also is a strong indicator of fiscal stress and instability. Although unassigned fund balance may not be purely liquid, it is the most readily accessible form of fund balance. Thus, in case of emergency, these are the funds that generally provide a safety net for the City. Until addressed, the City's fiscal health will remain challenged by the negative unassigned balance in the General Fund.

General Fund - Fund Balance Analysis Conclusion. Despite reductions in the City's workforce and limitations on spending, the City has been unable to overcome the structural impediments for continued solvency. In other words, the disparity between revenue and expenditures is structural and cannot be overcome with just minor changes. Substantial cuts will be required, which could affect services, or new sources of recurring revenue will need to be developed.

Fiscal Health Indicators - Reserves. As noted in the previous section, ample levels of reserves assist by providing a cushion which can reduce the impact of unforeseen occurrences. In addition, they can be drawn upon to meet financial obligations in difficult times. As such, preserving a moderate level of reserves is something all municipal entities should strive for and something that is closely monitored by the credit rating agencies.

Unfortunately, there is no statutory formula in determining what constitutes a moderate level of available reserves. As a matter of fact, the New York State statutes regarding this topic merely require that available reserves do not extend beyond a "reasonable amount." Nevertheless, due to a variety of factors, the definition of a "reasonable amount" will undoubtedly vary among municipal entities. Thus, the establishment of fiscal policies, such as a fund balance policy, can assist by clarifying what a jurisdiction deems as appropriate. Maintaining a strict adherence to prudent budgetary practices, which should take reserve levels into account, will also ensure that appropriate reserves are monitored and maintained.

RECOMMENDATION – FISCAL ANALYSIS I:

DRAFT WRITTEN POLICIES

The City would benefit from drafting written financial policies encompassing areas such as fiscal reserves, budgetary procedures, human resources, travel, accounting controls, debt management, and forms of long-term planning.

Formalizing such policies will add transparency to City operations, which will provide guidance to City employees and present clarity to all stakeholders. Once drafted, the policies should be presented in full form to the City Council for consideration and adoption.

Due to the complexity of some of the legal requirements relating to the establishment of certain policies, the City should consult with legal counsel when drafting / adopting policies.

General Funds - Revenue Analysis. The City derives its revenues, primarily from real property taxes and special assessments, State aid and departmental fees and charges. A summary of such revenues for the years 2010-2014 is presented in Appendix A, hereto. Information for those fiscal years has been excerpted from the City's audited financial reports; however, such presentation has not been audited.

Real Property Taxes. The City derives a major portion of its revenues from a tax on real property. Excluding other financing sources, real property taxes accounted for approximately 43.9% of General Fund revenue during the 2014 fiscal year.

Exhibit RV-I below sets forth the amount of real property tax revenue reported for the General Fund in the City’s audited financial statements for the fiscal years ended December 31 2010 through 2014 and the amounts included in the 2015 and 2016 adopted budgets.

Exhibit RV-I
Real Property Taxes & General Fund Revenue
Fiscal Years Ended December 31, 2010 – 2016

FY Ended December 31	General Fund Revenue	Real Property Taxes	% Property Tax To General Fund
2010	\$39,589,529	\$16,653,807	42.1%
2011	40,843,713	16,662,878	40.8
2012	42,100,271	16,937,054	40.2
2013	42,388,035	17,344,520	40.9
2014	41,708,945	18,313,855	43.9
2015 (Budget)	43,864,704	18,633,401	42.5
2016 (Budget)	45,807,628	19,919,106	43.5

(1) Excludes Other Financing Sources.

Source: The Audited Financial Statements for 2010 through 2014 and the Adopted Budgets of the City. The Summary itself is not audited.

State Aid Revenue. The City receives financial assistance from the State. Excluding other financing sources, State Aid accounted for approximately 12.3% of the General Fund revenue of the City during the 2014 fiscal year. A substantial portion of the State aid received is directed to be used for specific programs.

The State is not constitutionally obligated to maintain or continue State aid to the City. No assurance can be given that present State aid levels will be maintained in the future. State budgetary restrictions which eliminate or substantially reduce State aid could have a material adverse affect upon the City, requiring either a counterbalancing increase in revenues from other sources to the extent available, or a curtailment of expenditures.

Exhibit RV-II on the following page sets forth the amount of State aid reported for the General Fund in the City’s audited financial statements for the fiscal years ended December 31 2010 through 2014 and the amounts included in the 2015 and 2016 adopted budgets.

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Exhibit RV-II
State Aid & General Fund Revenue
Fiscal Years Ended December 31, 2010 – 2016

FY Ended December 31	General Fund Revenue	State Aid Revenue	% State Aid To General Fund
2010	\$39,589,529	\$4,941,823	12.5%
2011	40,843,713	4,973,971	12.2
2012	42,100,271	5,517,093	13.1
2013	42,388,035	5,105,006	12.0
2014	41,708,945	5,140,742	12.3
2015 (Budget)	43,864,704	5,103,771	11.6
2016 (Budget)	45,807,628	5,013,771	10.9

(1) Excludes Other Financing Sources.

Source: The Audited Financial Statements for 2010 through 2014 and the Adopted Budgets of the City. The Summary itself is not audited.

Sales Tax Revenue. The City receives a share of the County sales tax. The County currently imposes a local 3.75% sales tax in addition to the 4% State sales tax and .375% MTA sales tax. Such taxes are collected and administered by the State Tax Commission and the proceeds are paid to the County based on the payment schedule established by the State.

The current 3.75% sales tax is a result of a 0.75% tax rate increase which became effective on June 1, 2003. Pursuant to Chapter 528 of the Laws of 2007, the State Legislature authorized a two-year extension of the 0.75% increase in the County’s sales tax rate. The County Legislature amended the 1975 resolution enacting the County’s sales tax by resolution 207259 which was signed by the County Executive on September 20, 2007. The additional 0.75% sales tax rate continues and has been extended through November 2017.

Special Note – County Implemented Sales Tax Cap. The County’s 2013 budget capped the amount of sales tax that will be distributed to municipalities in the County to \$25 million for 2013 and for future fiscal years. This resulted in municipalities receiving approximately 85% of the sales tax they previously received. To offset the impact to local municipalities, the County absorbed half of the 2011 and 2012 election costs due to be paid to the County by local municipalities and assumed full cost of elections commencing in 2013.

According to a County news release, under the sales tax agreement, the \$25 million is guaranteed to municipalities regardless of any declines in collections. In addition, as required by law, Dutchess County continues to maintain a contract with both the City of Poughkeepsie and City of Beacon with regard to sales tax distributions. At implementation, the amounts guaranteed to the cities were \$9.5 million to Poughkeepsie and \$4.2 million to Beacon. The remaining \$11.3 million were to be distributed amongst the towns and villages. Commencing in 2014, 18.5% of sales tax growth is distributed to municipalities in the County. The growth dollars are dependent on an entity’s population, and there is no dedicated amount for the two cities. As a result, the towns and villages receive a greater proportionate share of sales tax growth.

Exhibit RV-III on the following page sets forth the amount of sales tax revenue reported for the General Fund in the City’s audited financial statements for the fiscal years ended December 31 2010 through 2014 and the amounts included in the 2015 and 2016 adopted budgets.

Exhibit RV-III
Sales Tax Revenue & General Fund Revenue
Fiscal Years Ended December 31, 2010 – 2016

FY Ended December 31	General Fund Revenue	State Aid Revenue	% State Aid To General Fund
2010	\$39,589,529	\$10,877,800	27.5%
2011	40,843,713	11,620,663	28.5
2012	42,100,271	11,725,631	27.9
2013	42,388,035	10,221,671	24.1
2014	41,708,945	9,751,552	23.4
2015 (Budget)	43,864,704	9,566,212	21.8
2016 (Budget)	45,807,628	9,653,369	21.1

(1) Excludes Other Financing Sources.

Source: The Audited Financial Statements for 2010 through 2014 and the Adopted Budgets of the City. The Summary itself is not audited.

Revenue Analysis - Conclusion. Like many other public jurisdictions, in order to operate and provide adequate services to residents and other stakeholders, the City requires secure revenue sources that grow on an annual basis to keep pace with expenditures. Annual growth of recurring revenue sources is an important factor since the City’s largest expenditures (salaries, employee benefits, equipment, etc.) will also increase annually. If revenues become stagnant and expenditure growth can not be offset, the fiscal condition of the City will deteriorate.

The weakening of the City’s tax base and the State-imposed property tax cap provide obstacles to the City’s ability to raise property tax. In addition, the County imposed sales tax cap also acts as an additional barrier to the City’s recurring revenue sources. Since real property taxes and sales tax revenue constitute a significant portion of the City’s annual revenue, limitations on these sources have advanced the deterioration of the General Fund and the accumulated deficit. These revenue sources will likely continue to be ongoing challenges for the City.

A continued lack of growth in the primary revenue sources will not sustain the operating costs of the City. As such, the City is left with two options: exceed the State imposed real property tax cap or seek out alternative sources of recurring revenues. Over the past two years, the City has been actively seeking out new sources of revenue. The implementation of parking pay stations and the replacement of City water meters are excellent examples of this effort. Nevertheless, the City should continue to seek out alternative sources of recurring revenues.

RECOMMENDATION – REVENUE 1:
CONTINUE EFFORTS TO SEEK OUT ALTERNATIVE SOURCES OF RECURRING REVENUES

The City’s distressed financial condition has been intensified by slow growth of its primary revenue sources, which have also been impacted by State and County imposed limitations. Although it is crucial for the City to take corrective actions immediately, the limitations provide a barrier to quick action. As such, alternative sources of recurring revenues should be investigated in the near future. A long-term approach to developing a balance between revenue increases and expenditure reductions should be developed and implemented over the next several years.

Expenditures are discussed in the following section.

General Fund - Expenditure Analysis. The major categories of expenditure for the City are General Government Support, Public Safety, Public Works, Community Services, Culture and Recreation and Debt Service. For the fiscal years 2010 to 2014, total General Fund expenditures and other financing uses decreased by approximately 2.1% from \$44,452,350 to \$43,515,518. However, expenditures in the 2015 budget increased to approximately \$45.6 million.

Exhibit –EXI below provides a summary of the audited expenditures for the 2010-2014 fiscal years and the amount included in the 2015 adopted budget.

Exhibit - EXI
General Fund Expenditure Summary
Fiscal Years Ended December 31, 2010 – 2015

EXPENDITURE CATEGORY:	(Audited) 2010	(Audited) 2011	(Audited) 2012	(Audited) 2013	(Audited) 2014	(Budget) 2015
General Government Support	\$5,820,497	\$6,132,693	\$5,614,562	\$5,863,567	\$6,146,511	\$5,274,967
Public Safety	18,631,758	18,898,498	18,639,028	18,010,635	17,912,617	15,134,669
Health	49,528	51,396	165,166	173,501	52,064	0
Transportation	2,563,405	2,761,085	2,617,583	2,676,119	3,018,442	4,298,717
Economic Assistance And Opportunity	248,350	253,674	89,082	300	0	0
Culture And Recreation	678,425	626,646	559,687	491,558	533,196	826,619
Home And Community Services	2,444,170	2,330,875	2,021,984	367,691	302,242	800,000
Employee Benefits	8,569,921	9,399,904	10,103,364	10,026,800	10,435,232	13,730,333
Total Expenditures	\$39,006,054	\$40,454,771	\$39,810,456	\$37,610,171	\$38,400,304	\$40,065,305
OTHER FINANCING USES:						
Operating Transfers - Out	\$(5,446,296)	\$(5,512,894)	\$(5,422,500)	\$(4,924,934)	\$(5,115,214)	\$(5,501,786)
TOTAL EXPENDITURES						
& OTHER FINANCING USES	\$44,452,350	\$45,967,665	\$45,232,956	\$42,535,105	\$43,515,518	\$45,567,091

Source: The Audited Financial Statements for 2010 through 2014 and the 2015 Adopted Budget of the City. The Summary itself is not audited.

As is common with many municipal jurisdictions, the services provided by the City are extremely labor-intensive, and as a result employee wages and benefits account for the majority of the City’s annual General Fund expenditures.

Given that wages and benefits expenditures represent such a large portion of the City’s total expenses, employee compensation (salaries and other fringe benefits) must be carefully monitored, and modified when possible, in order to rectify the City’s structural deficit. Employee compensation should be kept in line with the City’s revenues. Unless such costs are held at affordable levels, it is likely that the City’s fiscal health will further suffer. This would be disadvantageous to all City stakeholders, including City employees.

EMPLOYEE AND COLLECTIVE BARGAINING

City Employees. The City employs 328 full-time equivalent employees including 28 in management positions. There are four collective bargaining organizations representing 300 City employees. The current organizations and membership include: the Civil Service Employees

Association (136 members), the Police Benevolent Association (93 members), the Federation of Police (15 members), and the International Association of Firefighters (56 members).

There are four collective bargaining organizations representing City employees as indicated in Exhibit EMP-I:

Exhibit EMP-I
City Employees and Collective Bargaining Organizations

Organization:	Membership:	Contract Expiration Date:
Civil Service Employees Association	136	12-31-11 *
Police Benevolent Association ⁽¹⁾	93	12-31-11 *
Federation of Police	15	12-31-12 *
International Association of Firefighters ⁽²⁾	56	12-31-11 *

- * Contract currently in negotiation.
- (1) Includes 5 open positions which were included in the 2015 adopted budget.
- (2) A tentative agreement was reached in early 2016.

Source: City Officials.

Comparative Employee Analysis (Mid-Hudson Region Cities). Exhibit EMP-II and Exhibit EMP-III on the following page provide a comparative analysis of the City’s full-time employees and collective bargaining units against those of other Mid-Hudson Region cities:

Exhibit EMP-II
Comparative Employee Analysis
Mid-Hudson Cities

Rank	City:	Estimated Population	Estimated Employees	Employees To Population
1.	New Rochelle	78,800	568	138.73
2.	Middletown	27,809	232	119.87
3.	Beacon ⁽¹⁾	14,389	121	118.92
4.	Port Jervis	8,689	80	108.61
5.	Peekskill ⁽²⁾	23,908	229	104.40
6.	Mount Vernon	68,071	674	101.00
7.	Newburgh ⁽²⁾	28,571	287	99.55
8.	Poughkeepsie	30,554	328	93.15
9.	Kingston ⁽³⁾	23,665	283	83.62
10.	White Plains	57,559	850	67.72

- (1) Includes a small number of part time positions.
- (2) Includes part time positions.
- (3) Data was unclear whether this number includes part time positions

Source: Information obtained from the MSRB (Official Statements and Annual Continuing Disclosure Filing Statements).

Compared to its peers, Poughkeepsie has a moderate level of employees for its (estimated) population. As noted in the above analysis, the City retains 1 employee per 93.15 residents, which ranks 8th out of the 10 cities measured.

Exhibit EMP-III
Comparative Collective Bargaining Analysis
Mid-Hudson Cities

Rank	City:	Estimated Population	Unionized Employees	Unionized Employees To Population
1.	Beacon	14,389	91	158.12
2.	Middletown	27,809	187	148.71
3.	New Rochelle	78,800	551	143.01
4.	Peekskill	23,908	178	134.31
5.	Port Jervis	8,689	67	129.69
6.	Mount Vernon	68,071	599	113.64
7.	Newburgh	28,571	254	112.48
8.	Poughkeepsie	30,554	300	101.85
9.	Kingston	23,665	283	83.62
10.	White Plains ⁽¹⁾	57,559	N/A	N/A

(1) Employee membership data was not available.

Source: Information obtained from the MSRB (Official Statements and Annual Continuing Disclosure Filing Statements).

Compared to its peers, a moderate amount of City employees are represented by collective bargaining organizations. As noted in Exhibit EMP-III, the City retains 1 represented employee per 101.85 residents, which ranks 8th out of the 10 cities measured.

Employees – Conclusion. Over the past several years the City has made an efforts to reduce its workforce, which represents a major recurring expense. Open positions resulting from normal attrition have not been filled unless deemed to be essential to City functions. At a gross level, ranking 8th among 10 Mid-Hudson cities, Poughkeepsie employs just a moderate level of employees. However, the above assessment does not include a breakdown of the individual departments, which could vary. Section III of this plan includes a review of each City department and includes additional discussions on staffing levels. Taking steps to determine appropriate workforce requirements for each department could positively impact efficiency levels.

Annual fluctuations are natural, but should be closely monitored. An inadequate workforce has the potential to negatively impact services levels and drain valuable resources. Conversely, an excessive workforce will result in (significant) avoidable costs. Although an option, *significant* reductions should only be considered as a last option due to the potential impact on service levels. As noted, the gross workforce of the City is moderate. Thus, reallocating employees and resources and investigating opportunities for shared services may provide a better initial approach. Nevertheless, if the City’s finances continue to deteriorate, significant reductions may be unavoidable.

RECOMMENDATION – CITY EMPLOYEES I: CONTAIN PERSONNEL COSTS BY EXPLORING CITY DEPARTMENTS FOR INTERNAL (STAFF) RESTRUCTURING OPPORTUNITIES

Like most municipal entities, employee related expenses (wages and benefits) represent a major annual expense that will escalate on an annual basis. In fact, according to the Office of the State Comptroller, such expenses account for approximately 57% of a municipal entities budget on average. Thus, even a small reduction can amount to significant long-term savings. As such, the City should maintain a proactive approach in managing these costs.

Analyzing City departments on a continual basis to ensure that tasks are properly delegated can quickly impact employee productivity and efficiency. Subsequently, enhancing efficiency levels will assist the City in its ability to reduce certain costs, such as overtime. This is important since overtime costs can rapidly and significantly increase personal service and pension costs.

Furthermore, a strategic and proactive approach to containing employee related expenses will lessen the future risk of workforce reductions. Thus, to ensure the workforce identifies with the City’s cause, maintaining transparency among employees and the administration will be crucial. Workforce involvement in reducing the deficit will allow the City to continue to supply essential services to residents and also to provide sensible salaries and benefits to its staff.

ECONOMIC AND DEMOGRAPHIC PROFILE

This section presents various statistics on the City’s population, income, employment and economic development. Certain information is provided for the County as a whole and, as such, does not necessarily represent conditions in the City. Due to the number of graphs, each table contains only a title.

The information in the following Economic and Demographic Profile tables portray an entity that has been hindered by a steadily declining tax base, an aging and (recently) decreasing population, and comparatively low wealth and employment levels. In conjunction with a national recession, these trends have only compounded the City’s fiscal distress.

Population Statistics

Population Trend

Year	City	County	State	United States
1980	29,257	245,055	17,558,165	225,234,182
1990	28,844	259,462	17,990,455	248,709,873
2000	29,871	280,150	18,976,457	273,643,273
2010	32,736	297,488	19,378,102	308,745,538
2014	30,716	297,388	19,594,330	317,107,084

Source: U.S. Department of Commerce, Bureau of the Census.

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Income Statistics

According to 2014 Census data (the American Community Survey-5 Year Estimate), the average per-capita money income for City residents was lower than for the County and the State by approximately 30.0% and 27.1%, respectively

Per Capita Money Income

Municipality:	2014
City	\$23,923
County	33,962
State	32,829

Source: U.S. Department of Commerce, Bureau of the Census.

As indicated in the below table, the median income of families in the City was also lower than that of the County and State as a whole.

Median Income of Families - 2014

Median Family Income		Income Groups - % of Families				
		Under \$25,000	\$25,000 -49,999	\$50,000 -74,999	\$75,000 -99,999	\$100,000 Or More
City	\$47,382	24.4%	26.9%	17.0%	12.6%	19.1%
County	89,352	8.6	15.1	16.5	16.6	43.2
State	71,419	16.1	19.3	16.9	13.3	34.4

Source: U.S. Department of Commerce, Bureau of the Census.

Employment Statistics

The City's employed labor force for 2014 was estimated at 12,400, which represents a decrease of approximately 6.8% since 2010. Although the County also showed a decline for this period, the percent decrease was larger scale for the City. The employed labor force for the State a whole increased between 2010 and 2014.

Average Employed Civilian Labor Force

	2000	2010	2014	% Change	
				2000-2010	2010-2014
City	12,800	13,300	12,400	3.9%	(6.8)%
County	134,000	135,200	134,600	0.9	(0.4)
State	8,718,700	8,769,700	8,964,000	0.6	2.2

Source: The New York State Department of Labor.

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Unemployment rates in the City have traditionally exceeded those of the County and State levels, but have remained reasonably consistent with national averages.

Average Unemployment Rates

Year	City	County	State	United States
2011	9.2%	7.5%	8.3%	8.9%
2012	9.2	7.8	8.5	8.1
2013	8.1	6.7	7.7	7.4
2014	6.6	5.3	6.3	6.2
2015	5.6	4.6	5.3	5.3
2016: ⁽¹⁾				
Jan	5.3	4.6	5.4	5.3
Feb	5.2	4.4	5.4	5.3

(1) Monthly Rates.

Source: The New York State Labor Department and the U.S. Bureau of Labor Statistics.

Major Private Sector Employers in the City⁽¹⁾
100+ Employees

Name	Industry or Business	Number of Employees
Health Quest-Vassar Brothers Hospital	Health Care	1,746
CH Energy Group	Utility	852
Marshall & Sterling	Insurance Financial Services	375
Poughkeepsie Journal	Newspaper	266
Eden Park Management Inc.	Nursing Home	260
T D Bank, N.A.	Bank	200
Indotronix International Corp.	Computer Consulting	153
Poughkeepsie Grand Hotel	Hotel	140
Hudson Valley Heart Center	Health Care	120

(1) Some of the employment numbers include part-time positions.

Source: Dutchess County Economic Development Corp.

Vassar Brothers Medical Center (“VBMC”) is the largest employer in the City. Serving the Hudson Valley since 1887, VBMC is a 365-bed facility that houses the first and only cardiothoracic surgery center between Westchester and Albany, a state-of-the-art birthing center, pioneering centers for advanced surgery and wound care, and a Level III Neonatal Intensive Care Unit. In May of 2015 VBMC announced it plans to expand by building a 696,000-square-foot, seven-level inpatient pavilion with 294 private rooms. The new building will be adjacent to both Route 9 and the Hudson River and will also connect to the existing facility. The total cost of the project is estimated at approximately \$466 million and is believed to be the largest construction project in the history of the City. Funding for the project will come from private hospital funds and hospital bonds.

An estimated 300 to 400 construction jobs will be created at the peak of the project. Funding comes from private hospital funds and hospital bonds. A certificate of need has been filed with the New York State Department of Health. Contingent upon DOH's expected approval by the end of 2015, groundbreaking is scheduled for May 2016 and it is anticipated that the first patient will be cared for in January of 2019.

RECOMMENDATION – ECONOMIC AND DEMOGRAPHIC PROFILE I:
CONTINUE PARTNERSHIPS WITH VASSAR BROTHERS MEDICAL CENTER

The City should continue to develop strategic local economic development partnerships with VBMC. Although the direct positive fiscal impact of VBMC is yet to be determined, the City should benefit from additional annual revenue generated through locally negotiated PILOT agreements. In addition, area residents will benefit from new employment opportunities and the expansion may foster other forms of economic development.

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**Non-Agricultural Employment by Industry 2014 (Quarter 3 – Preliminary Data)
County & State (Persons Employed) ⁽¹⁾**

Industrial Sector	Dutchess County		State	
	Number	Percent	Number	Percent
NONFARM EMPLOYMENT:				
Private	90,086	84.02%	7,546,428	85.71%
Government	17,137	15.98	1,258,210	14.29
	107,223	100.00	8,804,638	100.00
GOODS PRODUCING:				
Natural Resources, Mining and Construction	6,374	5.94	434,771	4.94
Manufacturing	9,192	8.57	451,771	5.13
	15,566	14.52	886,693	10.07
SERVICE PRODUCING:				
Wholesale Trade	1,930	1.80	338,335	3.84
Retail Trade	14,019	13.07	938,291	10.66
Transportation and Warehousing and Utilities	1,915	1.79	222,590	2.53
Total Service Producing	17,864	16.66	1,499,216	17.03
SERVICES:				
Information	1,442	1.34	263,404	2.99
Financial and Insurance	2,599	2.42	504,218	5.73
Real Estate and Rental and Leasing	1,447	1.35	187,898	2.13
Professional and Technical Services	3,704	3.45	630,354	7.16
Management of Companies	1,032	0.96	142,018	1.61
Administrative and Waste Services	4,036	3.76	467,244	5.31
Educational Services	6,855	6.39	297,497	3.38
Healthcare and Social Assistance	18,695	17.44	1,368,449	15.54
Arts, Entertainment and Recreation	2,639	2.46	179,163	2.03
Accommodation and Food Service	9,413	8.78	728,217	8.27
Other Services	3,798	3.54	350,442	3.98
Miscellaneous ⁽²⁾	996	0.93	41,615	0.47
Total Services	56,656	52.84	5,160,519	58.61
GOVERNMENT:				
Federal Government	1,183	1.10	114,003	1.29
State Government	5,169	4.82	219,228	2.49
Local Government	10,785	10.06	924,979	10.51
Total Government	17,137	15.98	1,258,210	14.29
TOTAL NON-AGRICULTURAL EMPLOYMENT	107,223	100.00%	8,804,638	100.00%

(1) Numbers may ad exactly due to rounding.

(2) For confidentiality reasons certain information correlating to the County is not able be classified by the State. Such info has been included and listed as miscellaneous.

Source: The New York State Department of Labor, Quarterly Census of Employment and Wages (Preliminary, 2014 Quarter 3).

Earnings by Place of Work ⁽¹⁾ - Dutchess County (2013 Preliminary Data - Annual)
(Million Dollars)

Dutchess County:	2013	% of Total
Source:		
Forestry, Fishing & Related	\$ 17.4	0.32%
Mining	12.5	0.23
Construction	240.0	4.40
Manufacturing	1,042.5	19.13
Wholesale Trade	136.2	2.50
Retail Trade	384.2	7.05
Transportation and Warehousing	69.8	1.28
Information	70.8	1.30
Finance and Insurance	157.0	2.88
Real Estate and Rental and Leasing	59.9	1.10
Professional and Technical Services	222.9	4.09
Management of Companies	73.9	1.36
Administrative and Waste Services	204.9	3.76
Educational Services	318.9	5.85
Healthcare and Social Assistance	873.0	16.02
Arts, Entertainment and Recreation	34.3	0.63
Accommodation and Food Services	150.9	2.77
Other services	126.5	2.32
Miscellaneous ⁽²⁾	82.3	1.51
Government	1,171.0	21.49
Total	\$5,448.9	100.0%

- (1) For employment within the County.
- (2) For confidentiality reasons certain information correlating to the County is not able to be classified by the State. Such info has been included and listed as miscellaneous.

Source: The New York State Department of Labor, Quarterly Census of Employment and Wages (Preliminary, 2013).

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TAX BASE ANALYSIS

Real Property Tax Assessments and Rates. The following table shows the trend for the last five years for valuations, State equalization rates, real property tax levies and real property tax rates and collections.

	2012	2013	2014	2015	2016
Assessed Value	\$1,954,424,460	\$1,767,245,854	\$1,683,067,222	\$1,647,863,975	\$1,571,809,604
Equal. Rates	1.00	1.00	1.00	1.00	1.00
Full Value	\$1,954,424,460	\$1,767,245,854	\$1,683,067,222	\$1,647,863,975	\$1,571,809,604

On average, over the past five years the annual decrease in assessed values has been approximately 5.8%. Although showing signs of improvement, the City's \$1.6 billion tax base continues to decline as a result of vulnerability in the regional real estate market and economy. In addition, the tax base in Poughkeepsie is impeded by several other unique challenges. As the County seat, there is obviously a strong government presence in the City. As a result there are a high percentage of tax-exempt properties located within City limits. Nevertheless, this positions the City well for the exploration of shared service agreements with the County.

A strong institutional presence has aided in somewhat stabilizing the tax base. The expansion of the Vassar Brothers Medical Center was previously discussed in this section.

Despite challenging finances and a distressed regional economy, the City has worked hard to persevere its tax base and to position itself for future growth. Maintaining a strong institutional presence will aid the City in stabilizing the tax base in future years.

RECOMMENDATION – TAX BASE 1:

DEVELOP AND ADOPT A LOCAL TAX BASE IMPROVEMENT POLICY

The City should develop and adopt a local tax base improvement policy. Tax base attrition is not an uncommon concern to municipal entities. This matter, however, can be addressed through the creation of a strong community and economic development strategy. In order to expand the tax base, the tax base improvement policy should encourage, promote, and assist industrial, commercial, and residential development.

RECOMMENDATION – TAX BASE 2:

REVIEW AND ADOPT A ZONING PLAN

State laws provide municipal jurisdictions with the authority to craft and revise a zoning plan. The plan forms the general structure for zoning matters. Although not required, the Office of the State Comptroller encourages zoning planning. The City has not evaluated its zoning in several years.

Since land use needs will undoubtedly vary from entity to entity, several freedoms are afforded by the State so that a plan may be unique to a jurisdiction's specific needs. External professionals are often employed to assist with the development of such a plan. In addition, public participation and comment ensures that residents both understand the need for a plan and that their requests can be incorporated.

DEBT ANALYSIS

The City has done a commendable job in managing its debt over the past several years. Nevertheless, as is typical for many cities, Poughkeepsie's infrastructure is rapidly aging and will require a great deal of attention in the near future.

Supervision of the City's outstanding debt obligations is the responsibility of the Commissioner of Finance. However, through the adoption of a bond resolution, the City Council authorizes the issuance of any new debt. This is generally completed through the adoption of a bond resolution.

Outstanding Debt. The total (gross) indebtedness of the City as of December 31, 2015 is \$63,929,919, and is comprised of \$55,487,539 of serial bonds, \$3,288,137 of bond anticipation notes, \$4,050,741 in short-term EFC debt and \$1,103,502 installment purchase contracts and leases. Exhibit – DS I below provides a more detailed summary of the City's outstanding debt obligations as of December 31, 2015.

Exhibit –DS I Outstanding Debt Analysis and Net Indebtedness As of December 31, 2015

	Amount
Gross Debt:	
Original Issue Serial Bonds	\$ 55,487,539
Bond Anticipation Notes	3,288,137
Short Term EFC Loan (Water)	4,050,741
Installment Purchase Contracts	1,103,502
Total Gross Debt	63,929,919
Less Exclusions:	
Unexpended Appropriations For Non-exempt Debt	-0-
Water Debt	5,461,088
Short Term EFC Loan (Water)	4,050,741
Excludable Sewer Debt	1,280,000
Total Exclusions	10,791,829
Total Net Debt	\$ 53,138,090

Although restructuring the City's debt portfolio won't significantly reduce the accumulated General Fund deficit, certain policies and procedures can be implemented to ensure the current debt burden is held at a manageable level. To quickly address the current General Fund position, the City could investigate deficit financing. However, the issuance of deficit financing is complex, requires state legislation and carries with it a number of considerations. *The City should carefully investigate this option with its Financial Advisor.*

Short Term Debt Obligations. The City is authorized to issue short-term debt obligations for both capital and operational purposes. Short-term obligations are those which mature within a period of 12 months.

Short-Term Operational Financings. Operational financings include tax anticipation notes and revenue anticipation notes which provide cash to pay operating expenditures. Borrowings for these purposes are restricted by formulas contained in the Local Finance Law and regulations issued under the U.S. Internal Revenue Code. Such notes may be renewed from time to time but generally not beyond three years in the case of revenue anticipation notes and five years for tax anticipation notes. Budget notes are another form of short-term operational financings and may be issued to finance current operating expenditures for which there is no appropriation, or the amount so appropriated is not sufficient. Generally, the amount of budget notes issued may not exceed 5% of the budget and must be redeemed in the next fiscal year.

The City has not issued debt for operating purposes during the past five years. However, as cash flow projections are completed in the coming year, the City should continue to monitor if such a borrowing will be required. In addition, the City should continue to employ the services of a Financial Advisor to assist in this process.

Short-Term Capital Purpose Financings. Bond anticipation notes may be sold to provide moneys for capital projects once a bond resolution has been adopted by the City Council. Generally, bond anticipation notes are issued in anticipation of the sale of bonds at some future date and may be renewed from time to time up to five years from the date of the first note in most cases.

Exhibit –DS II provided a detailed breakdown of the City’s outstanding bond anticipation notes as of December 31, 2015. Included in the exhibit is the amount of bond anticipation notes currently outstanding, the purposes for which they were issued, date of original issuance and the current maturity date.

**Exhibit –DS II
Outstanding Bond Anticipation Notes
As of December 31, 2015**

Purpose	Original Issue Date	Current Maturity Date	Notes Outstanding
Police Vehicles	7/31/14	7/13/16	\$ 108,137
LED Street Lighting	05/08/15	7/13/16	3,180,000
Totals			\$ 3,288,137

Installment Purchase Contracts. The City from time-to-time acquires capital assets pursuant to financing leases or installment purchase contracts, as described under State law. Under State law, installment purchase contracts are deemed to be executory only to the extent that moneys have been appropriated and are available therefor. Such contracts do not constitute general obligations of the City and are not secured by a faith and credit pledge of the City’s taxing powers. However, installment purchase contracts are considered to be chargeable debt for purposes of computing the

City's debt limitation prescribed by Section 104.00 of the Local Finance Law. As of December 31, 2015, the principal balance of such contracts is \$1,103,502.

Long-Term Debt Obligations. Exhibit – DS III shows the annual debt service requirements for the outstanding serial bonds of the City. Installment purchase contract debt has been excluded from this exhibit.

Exhibit – DS III
Schedule of Debt Service Requirements

Years Ending December 31	Principal	Interest	Total	Cumulative % Principal Paid 2016-2025
2016	\$ 5,105,000	\$ 2,492,205	\$ 7,597,205	9.18%
2017	4,835,000	2,240,456	7,075,456	17.88
2018	5,025,000	2,020,227	7,045,227	26.93
2019	5,175,000	1,818,048	6,993,048	36.24
2020	4,155,000	1,610,107	5,765,107	43.71
2021	4,295,000	1,423,766	5,718,766	51.44
2022	4,460,000	1,258,291	5,718,291	59.46
2023	4,625,000	1,087,598	5,712,598	67.79
2024	3,150,000	906,933	4,056,933	73.45
2025	2,045,000	744,452	2,789,452	77.13
2026	1,950,000	602,912	2,552,912	
2027	1,980,000	538,469	2,518,469	
2028	2,090,000	450,092	2,540,092	
2029	1,725,000	351,474	2,076,474	
2030	1,800,000	270,990	2,070,990	
2031	1,410,000	188,277	1,598,277	
2032	560,000	99,663	659,663	
2033	215,000	60,163	275,163	
2034	220,000	51,050	271,050	
2035	235,000	41,519	276,519	
2036	165,000	31,450	196,450	
2037	175,000	22,125	197,125	
2038	185,000	13,625	198,625	
TOTALS	\$55,580,000	\$18,323,892	\$73,903,892	

As noted in the above exhibit, approximately 77.13% of the City's outstanding long-term debt obligations will be paid off within the next 10 years. The final maturity on the City's long-term debt obligations is 2038.

Debt Ratios. As described in Exhibit-DSI, the City's total net indebtedness at December 31, 2015 is \$53,138,029. Based on a 2014 US Census population estimate of 30,716, the amount of net debt equals \$1,730 per capita. The City's assessed market value for the 2016 fiscal year is \$1,571,809,604. The City's total outstanding net debt as a percentage of its assessed market

value of property is 3.38%. According to Moody's Investor Services, at 3.38% of its assessed market value, the City's debt burden is above average when compared to its peers.

RECOMMENDATION – DEBT 1: THE CITY SHOULD DRAFT AND ADOPT FORMAL DEBT MANAGEMENT POLICIES

The City should work to strategically develop and adopt formal debt management policies to make certain that its outstanding level of debt is held at a manageable level.

Best practices standards that could be incorporated into a debt management policy and utilized to analyze future debt obligations include:

- *Annual Debt Service Costs As A Percentage Of Operating Revenues*
- *Outstanding Debt Per Capita*
- *The Average Maturity Of The Debt*
- *Total Debt As A Percentage Of Assessed Market Value*
- *Annual Debt Service As A Percentage Of The General Fund Budget*
- *The Net Present Value Savings Generated (For Refunding Transactions)*

Debt Authorizations. The City presently has authorized but unissued debt in the amount of approximately \$52.4 million. City officials do not expect to issue a portion of these authorizations, including a \$10 million bridge authorization. Furthermore, a number of the outstanding authorizations are dated and/or include completed projects.

**RECOMMENDATION – DEBT 2:
REDUCE DEBT AUTHORIZATIONS**

Since a number of the City's authorized bond resolutions are not anticipated to be utilized, the City should work with their Bond Counsel in order to reduce the total amount of outstanding authorizations.

Capital Budgeting. Each year the City prepares a five-year capital program. Pursuant to the City Charter, the Mayor shall submit to the Common Council on or before July 1st, a written proposed city-wide capital projects program for the ensuing five years. Such capital projects program is to be in form and substance prescribed in the City's Administrative Code. The Common Council is required to conduct at least one hearing at which the public may be heard with respect to such program. If the capital projects program is not adopted on or before the thirty-first day of August, the proposed capital projects program submitted by the Mayor shall be deemed the City's program for the next five years. Formal funding decisions are usually made in February of the following year for those items not contained in the operating budget.

The City's Capital Improvement Program for the fiscal years 2015 through 2019 totals \$69.8 million, of which approximately \$29.5 million is expected to be financed with debt. Non-debt program costs are expected to be funded primarily from Community Development Block Grant funds and various special grants. Additional funding is anticipated to be provided by the City's operating budget. A summary of the City's current five-year capital budget for the years 2015 through 2019 is presented in Exhibit-DS IV on the following page.

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Exhibit-DS IV
Capital Budget Program - Adopted
For the Years 2015-2019 ⁽¹⁾
(000's)

	PROPOSED					METHOD OF FINANCE		
	2015	2016	2017	2018	2019	Debt	Other Funds	Total Financing
Transportation	\$ 2,129	\$ 8,023	\$ 1,814	\$13,472	\$-0-	\$ -0-	\$25,438	\$ 25,438
Utilities	11,463	4,975	8,175	4,931	-0-	25,143	4,400	29,543
Facilities	5,670	850	220	100	-0-	1,440	5,400	6,840
Transit	1,486	1,410	710	610	-0-	-0-	4,216	4,216
Vehicles	895	607	1,648	621	-0-	2,930	841	3,771
Total	\$21,643	\$15,865	\$12,567	\$19,734	\$ -0-	\$29,513	\$40,295	\$ 69,808

(1) A full copy of the City's capital plan for the 2015 – 2019 fiscal year is available on the City's website.

Credit Rating Concerns. The Moody's credit rating scale, running from a high of "Aaa" to a low of "C", is comprised of 21 notches and is divided into two sections, investment grade and speculative grade. The lowest investment-grade credit rating is "Baa3". The highest speculative grade credit rating is "Ba1". Since the credit rating is the primary factor in determining an entity's ability to access to the capital markets, and ultimately the interest rate that is paid, it is a crucial factor to an entities fiscal health.

On January 22, 2013, Moody's downgraded the general obligations credit rating of the City to "Baa2" with a negative outlook from an "A2" with a negative outlook. On January 6, 2014, Moody's further downgraded the general obligation credit rating of the City to "Baa3" (with a negative outlook from a "Baa2" with a negative outlook.) Moody's subsequently affirmed the City's "Baa3" credit ratings with a negative outlook on January 30, 2015 and again on July 7, 2015. On March 1, 2016 Moody's downgraded the long term general obligation credit rating of the City to "Ba1," while maintaining the negative outlook.

The present rating of "Ba1," with a negative outlook, is considered to be below investment grade. As such, a portion of the investment community whose own internal credit criteria will not permit them to invest in debt rated below the investment grade level, will no longer be able to purchase City debt. Accordingly, the sale of future debt obligations will be complex and all associated costs will be significantly increased.

The recent credit downgrade simple adds additional layers of concern to the City's already distressed fiscal health. Thus, focusing on restoring an investment grade rating is imperative. Unfortunately, reestablishing the rating will likely take a substantial amount of time and may require the use of external professionals. Since the current credit rating still has a negative outlook associated with it, the City's approach should consist of both short and long-term goals. The removal of the negative outlook would be the most urgent objective, while restoring an above investment grade credit rating would be considered a long-term goal. Addressing the immediate cash flow needs of the City, or its liquidity levels, could assist in easing investor concerns and *may* encourage the removal of the negative outlook. Nevertheless, in order to address the credit rating itself, the City will need to demonstrate a trend of positive results over a period of time. This period of time could potentially be several years.

RECOMMENDATION – DEBT 3: DEVELOP A STRATEGIC APPROACH TO RESTORE THE CITY’S INVESTMENT GRADE RATING.

With a rating of “Ba1” (with a negative outlook) the City’s credit rating is considered to be speculative, or below investment grade. The rating will have a significant impact on the City’s ability to access the capital markets, the issuance costs associated with a debt sale, and the interest rates that are obtained. As such, the rating is detrimental to the fiscal health of the City. As such, the City should immediately develop a strategic plan aimed at restoring an above investment grade rating. It may be necessary to engage an external professional for assistance in this matter.

RECOMMENDATION – DEBT 4: INVESTIGATE THE ISSUANCE OF DEFICIT FINANCING.

To quickly address the current General Fund position, the City could investigate deficit financing. However, the issuance of deficit financing is complex and carries with it a number of considerations and requires special State legislation. The City should carefully investigate this with its Financial Advisor and with other local municipal entities that have issued this type of debt.

The issuance of deficit financing will assist in alleviating liquidity concerns, but the post issuance management of City finances will be crucial. If the City was to investigate deficit financing, the development of sound fiscal practices to ensure stability in the annual budget is something that should be concurrently considered. Regardless of deficit financing, if the budget is not stabilized, a deficit position will again develop in future years.

RECOMMENDATION – DEBT 5: CONDUCT AN ASSESSMENT OF CITY OWNED BUILDINGS TO DETERMINE CAPITAL NEEDS

Major maintenance projects at City Hall have been deferred for many years, resulting in serious structural, electrical, HVAC, and interior deficiencies. Buildings in disrepair present a safety hazard for the City and its employees, as well as potential legal liability, and should be addressed as soon as possible. A condition assessment should be completed by the City to determine the costs associated with repairs. The assessment should prioritize projects that need attention so that the most serious problems can be addressed first.

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SECTION III

DEPARTMENTAL SUMMARIES

I. POLICE DEPARTMENT

Overview & Structure. The City of Poughkeepsie Police Department (the “Police Department”) consists of 96 sworn members and 32 civilians, including 16 dispatchers. The Police Department is a full-service law enforcement agency which is staffed 24 hours a day. The Police Department provides a wide range of services to City residents and visitors through the following departmental subdivisions:

- The Command Administration
- Support Services/Training and Development
- Evidence
- Detectives and Juvenile Divisions
- Patrol Divisions
- Neighborhood Recovery Unit
- Crime Analysis
- Main Street and Traffic
- Parking Enforcement
- Records Sections
- K-9 Officer
- Emergency Services Unit



Department Head (Chief of Police). In accordance to the City Charter (the “Charter”), the Chief of Police shall have charge and control of the Police Department. In addition, the Chief of Police acts as the Commissioner of Public Safety.

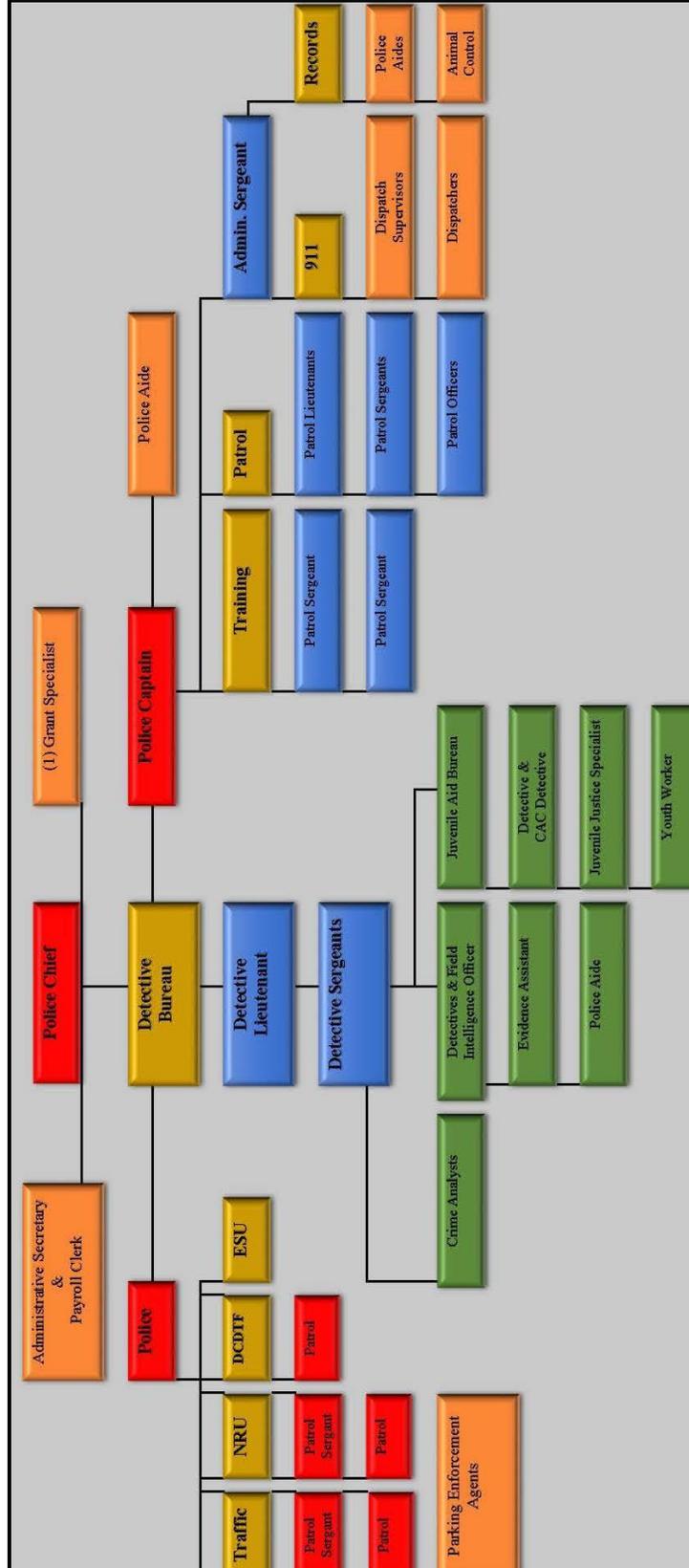
Through the Charter, the Chief is afforded the following powers and duties:

1. To enact policies and procedures for the general management and control of the Police Department.
2. To enforce such rules and regulations.
3. With the approval of the Common Council to establish, furnish, and control a station house.
4. On written consent of the Mayor, to offer rewards for information leading to the detention, arrest, and conviction of individuals guilty of certain crimes.
5. On written consent of the Mayor, to appoint special patrolmen for temporary and emergency services.
6. To designate some person to take charge of all property alleged to be stolen or embezzled and which may be brought into the police office, and all property taken from the person of a prisoner.

General Management & Organizational Structure. The Chief is assisted by two Police Captains for tasks related to the general management and day to day operations of the Police

Department. Exhibit PD-I on the following page portrays the organizational structure of the Police Department:

Organizational Chart City of Poughkeepsie - Police Department Exhibit PD-I



Police Department Finances

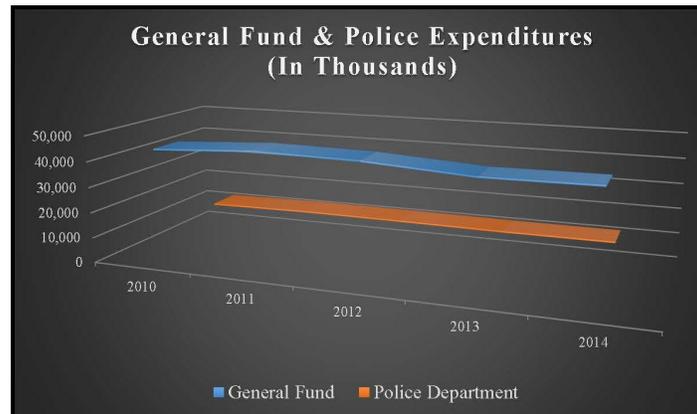
General Expenditures. The operations of the Police Department are classified as governmental activities and are financed primarily through from the General Fund. According to the (unaudited) Annual Update Document, which is filed with the Office of the State Comptroller, the Police Department accounted for approximately 28.1% of General Fund expenditures for the fiscal year ended December 31, 2015. For 2015 and 2016, as budgeted, Police Department expenditures are anticipated to remain consistent compared to 2014. Exhibits PD-II and PD-III highlight the (unaudited) annual expenditure pattern of the Police Department for the fiscal years ended December 31, 2010 through 2014.

Exhibit PD-II
Police Department & General Fund Expenditures
Fiscal Years Ended December 31, 2010 – 2014

FY Ended December 31:	General Fund Expenditures:	Police Department	% Police To General Fund
2010	\$43,910,568	\$12,274,109	27.95%
2011	45,961,981	12,704,815	27.64
2012	45,232,930	12,473,496	27.58
2013	42,648,065	12,097,110	28.36
2014	42,915,902	12,078,631	28.14

Source: The (unaudited) Annual Update Documents of the City.

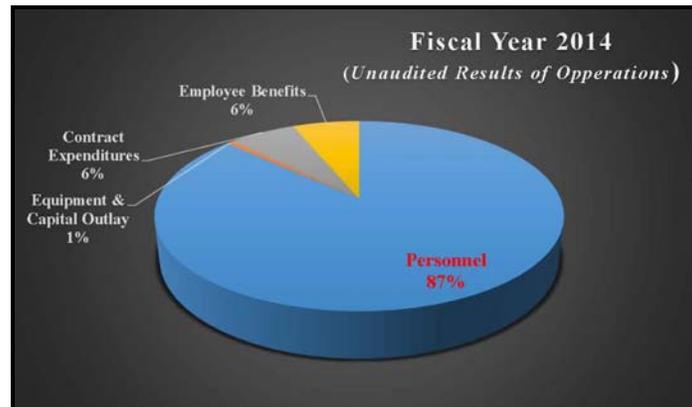
Exhibit PD-III
Police Department & General Fund Expenditure Trends
Fiscal Years Ended December 31, 2010 - 2014



Source: The (Unaudited) Annual Update Documents of the City.

Personnel Expenditures. Combined, personnel costs and employee benefits represent the largest annual expenditure of the Police Department. Since 2010, related personnel and employee benefit costs have accounted for more than 90% of total Police Department expenditures. To put it in a different perspective, approximately \$0.25 out of every dollar from the City’s General Fund is spent on costs associated with personnel and employee benefits of the Police Department. Exhibit PD-IV highlights (unaudited) Police Department expenditures by category for the fiscal year ended December 31, 2014.

Exhibit PD-IV
Police Department Expenditures By Category- Fiscal Year Ended December 31, 2014



Source: The (Unaudited) Annual Update Documents of the City.

Sources of Revenue. The Police Department is able to generate revenues (predominantly) through the issuance of fines by uniformed officers and for various types of service charges. According to the unaudited amounts included in the 2016 adopted budget, for 2014 the Police Department generated \$1.3 million in revenue. These largest source of Police revenue is the collection of fines relating to criminals, parking, and traffic. Combined, these fines provided revenue of \$814,075 (unaudited) in 2014. Generating revenue can greatly help by offsetting Departmental costs. However, the majority of the Police Department’s operational expenses are paid by appropriated General Fund revenues.

The Police Department has a dedicated grant specialist who seeks out and applies for Federal and State grants. According to the unaudited amounts included in the 2016 adopted budget, for 2014 the Police Department generated \$116,383 in grant funding through 2 grants. The City recently received a Federal grant in the amount of \$625,000 from the Department of Justice's Community Oriented Policing Services Hiring Program. The grant will provide funding that is anticipated to cover approximately 3 years of costs associated with the hiring of 5 uniformed officers. After 3 years, the City will be responsible for the cost of these officers and will need to review the long-term affordability of these positions.

Police Department Staffing Levels

The Uniform Crime Reporting Program. The FBI’s Uniform Crime Reporting Program (the “UCR”) provides various forms of statistical data for more than 18,000 city, university and college, county, state, tribal, and federal law enforcement agencies across the Nation. The program’s primary objective is to generate reliable information for use in law enforcement administration, operation, and management. Such information is used by criminologists, sociologists, legislators, municipal planners, the media, and forms the basis of the statistical information in this section (unless otherwise noted).

Police Personnel Statistics – (Reporting) New York Cities. For 2013, the most recent data available, the FBI’s UCR provided employment statistics for 45 cities in the State of New York, including the City of Poughkeepsie. According to this data, for 2013, the Police Department retained 1 employee (uniformed and civilian) for every 248.21 City residents. Among the 45 reporting cities, staffing levels for the Police Department ranked as the 4th highest in the State.

Exhibit PD-V below provides a breakdown of personnel for each of the 45 reporting city police agencies.

**Exhibit PD-V
(Reported) New York Cities - Police Employees Per Capita**

City Of:	County:	Estimated Population	Total Police Employees	Total Officers	Civilian Employees	Population / Total Police Employees
1 Albany	Albany	97,956	436	332	104	224.67
2 Hudson	Columbia	6,676	29	25	4	230.21
3 Rochester	Monroe	210,562	866	735	131	243.14
4 Poughkeepsie	Dutchess	30,778	124	91	33	248.21
5 Port Jervis	Orange	8,689	32	31	1	271.53
6 Buffalo	Erie	258,789	916	741	175	282.52
7 Syracuse	Onondaga	143,834	508	440	68	283.14
8 Niagara Falls	Niagara	49,574	173	152	21	286.55
9 Yonkers	Westchester	199,134	694	616	78	286.94
10 White Plains	Westchester	57,559	200	190	10	287.80
11 Kingston	Ulster	23,665	79	74	5	299.56
12 Elmira	Chemung	28,921	89	77	12	324.96
13 Oswego	Oswego	18,139	55	50	5	329.80
14 Geneva	Ontario	13,194	40	35	5	329.85
15 Saratoga Springs	Saratoga	27,081	81	67	14	334.33
16 Newburgh	Orange	28,571	85	74	11	336.13
17 Schenectady	Schenectady	66,041	192	148	44	343.96
18 Plattsburgh	Clinton	19,672	56	48	8	351.29
19 Hornell	Steuben	8,481	24	23	1	353.38
20 Troy	Rensselaer	49,898	139	127	12	358.98
21 Utica	Oneida	61,686	171	155	16	360.74
22 Ogdensburg	St Lawrence	11,104	30	25	5	370.13
23 New Rochelle	Westchester	78,800	210	154	56	375.24
24 Norwich	Chenango	7,139	19	19	0	375.74
25 Peekskill	Westchester	23,908	63	54	9	379.49
26 Auburn	Cayuga	27,270	71	66	5	384.08
27 Watervliet	Albany	10,245	26	25	1	394.04
28 Rye	Westchester	15,910	40	35	5	397.75
29 Lockport	Niagara	20,904	52	49	3	402.00
30 Oneida	Madison	11,220	27	23	4	415.56
31 Cortland	Cortland	19,331	46	43	3	420.24
32 Watertown	Jefferson	28,179	67	63	4	420.58
33 Rome	Oneida	32,557	77	75	2	422.82
34 Mechanicville	Saratoga	5,227	12	11	1	435.58
35 Cohoes	Albany	16,179	37	33	4	437.27
36 Jamestown	Chautauqua	30,658	70	60	10	437.97
37 Amsterdam	Montgomery	18,182	41	39	2	443.46
38 Glens Falls	Warren	14,582	32	30	2	455.69
39 Oneonta	Otsego	13,825	30	25	5	460.83
40 Batavia	Genesee	15,374	33	30	3	465.88
41 Corning	Steuben	11,087	23	19	4	482.04
42 Little Falls	Herkimer	4,912	10	9	1	491.20
43 Beacon	Dutchess	15,278	31	29	2	492.84
44 Gloversville	Fulton	15,315	31	29	2	494.03
45 Glen Cove	Nassau	27,134	53	49	4	511.96

Source: The FBI's Uniform Crime Reporting Program (2013 statistics).

Police Personnel Statistics – (Reporting) Regional & National Cities. For 2013, the FBI collected data from approximately 719 cities across the nation with populations in the range of 25,000 to 49,999 persons. In this group, the average number of police employees per 1,000

inhabitants was calculated to be 2.2. The Police Department measures very high by comparison, at 4.0 employees per 1,000 inhabitants.

The Police Department – Budgeted Positions. According to the City’s annual budgets for the 2011 through 2015 fiscal years, budgeted Police Department positions decreased by approximately 4.3% from 138 in 2011 to 131 in 2015. Excluding grant funded positions, the budget for 2016 included an increase of 7.5 positions. The decline in budgeted positions for the Police Department through 2015 was attributable to hiring freezes of non-essential personnel by the City. However, as previously noted, the City recently received a Federal grant in the amount of \$625,000 from the Department of Justice's Community Oriented Policing Services Hiring Program, which will provide funding for 5 officers over a period of approximately 3 years. After this period, the City will be responsible for the full cost of these officers.

Exhibit PD-VI shows a summary of budgeted Police Department positions for each of the fiscal years 2011 through 2016.

Exhibit PD-VI
Budgeted Police Department Positions
Fiscal Years Ended December 31, 2011 – 2016

FY Ended December 31:	Police Department Positions:
2011 (Adopted Budget)	138
2012 (Adopted Budget)	137
2013 (Adopted Budget)	130
2014(Adopted Budget)	131
2015 (Adopted Budget)	131
2016 (Adopted Budget) ⁽¹⁾	138.5

(1) Excludes 5 positions which could be funded through federal grant monies. If included, the 2016 budget would consist of 143.5 police positions.

Source: The Adopted Budgets of the City.

Civilian Positions. The Police Department currently employs 32 individuals in civilian positions, of which approximately half of which provide dispatch services (including the 911 system). According to the FBI’s UCR 2013 statistics, civilian positions accounted for approximately 26.6% of the Police Departments total staff (Total Employees divided by Civilian Employees). Compared to the other 45 reporting cities, the percentage of civilian staff was the second highest in the State, only behind the City of New Rochelle.

In general, civilian employees include personnel such as clerks, radio dispatchers, meter attendants, stenographers, jailers, correctional officers, and mechanics provided that they are full-time employees of the agency.

See “Exhibit PD-V - (Reported) NY Cities - Police Employees Per Capita,” herein.

RECOMMENDATION – POLICE 1:
DETERMINE APPROPRIATE POLICE STAFFING REQUIREMENTS

In conjunction with the City Administrator and Department of Finance, the Police Department should determine the optimal number of police employees (including civilian positions) based on cities that are comparable in size to the City.

In addition, the department should consider instituting a system of performance measures in connection with the primary functions of civilian positions. The establishment of such measures would help to ensure the work demands of these positions are both understood and reviewed regularly. Continual review of primary civilian functions may assist in determining whether there are technological advances which could improve the Police Departments administrative processes with fewer personnel having to be assigned.

Benefit: Determining an appropriate level of staffing in the Police Department has the potential to reduce costs, improved efficiency levels, and will foster interdepartmental cooperation.

Police Department – Overtime. In general, many police and public safety departments will utilize overtime to backfill vacant shifts, reach adequate staffing levels for 24 hour operations, and occasionally for other outside purposes (such as community events). The 2015 and 2016 adopted budgets of the City included approximately \$882,260 and \$734,100 in overtime for the Police Department, which was primarily appropriated to uniformed personnel. According to Department management, appropriations for overtime have significantly declined in recent years due to control efforts implemented by management and reductions in certain types of services, such as staffing public events. For services reductions, the Police Department will either not provide patrol or cost of such service will be privately paid for. At one point, management estimates that overtime costs had approached \$2.9 million.

RECOMMENDATION – POLICE 2:
CONTINUE EFFORTS TO CONTROL OVERTIME

Given the current fiscal condition of the City, the Police Department should continue its efforts to strategically manage its resources and reduce overtime.

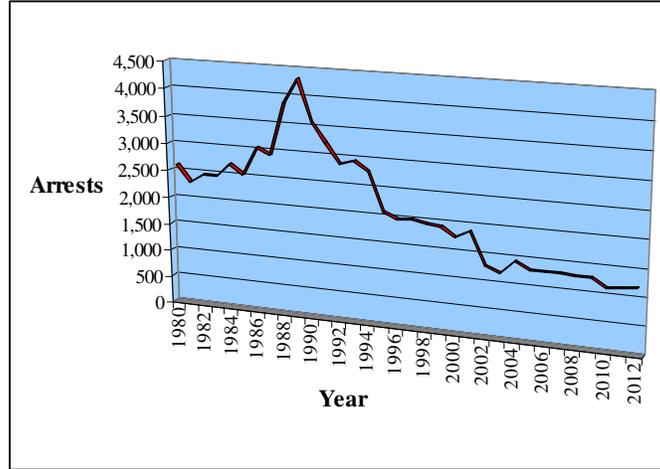
If the City is not able to return to a position of fiscal stability in the near future, the Police Department will likely be one of the first departments impacted. In general, severe budgetary limitations result in administrative pressure to reduce expenditures. However, since personnel costs and employee benefits represent the largest annual expenditure of the Police Department, such pressures may come in the form of staffing reductions or further reductions to overtime. The Police Department should make preparations for discussions with employees should a choice need to be made.

Arrests and Crime

Arrests. According to the Bureau of Justice Statistics (FBI, Uniform Crime Reporting Program), since 1980 arrests in the City have declined by approximately 54.3%. Over the same period of time, arrests on a national level declined by approximately 16.6%. Please note, the FBI's Uniform Crime Reporting Program counts one arrest for each separate instance in which a person is arrested, cited, or summoned for an offense. Since a person may be arrested multiple times during a year, the arrest statistics do not reflect the number of individuals who have been arrested; rather, just the sum total of reported arrests is reflected in the data.

Exhibit PD-VII on the following page provides a visual breakdown of reported arrests in the City between the years 1980 and 2012.

Exhibit PD-VII
Arrests (All Persons) Reported By The City - Period Covered, 1980 – 2012



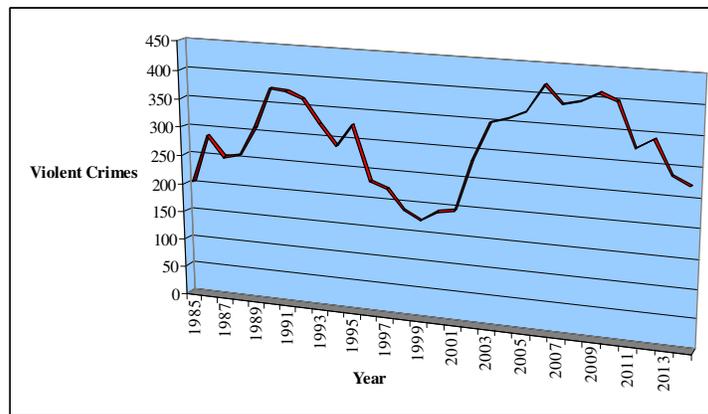
Source: Bureau of Justice Statistics, FBI, Uniform Crime Reporting Program (Arrest Data Analysis Tool).

Violent Crime. The data pertaining to violent crimes was obtained through the FBI’s Uniform Crime Reporting (UCR) Program. The Uniform Crime Reporting Program considers offenses that involve force or threat of force to be violent. As such, there are four categories of offenses: murder and nonnegligent manslaughter, rape, robbery and aggravated assault.

Despite declining arrest levels, (reported) violent crimes in the City have increased by approximately 34.0% between the years 1985 and 2014.

Exhibit PD-VIII provides a visual breakdown of reported violent crimes in the City between the years 1985 and 2014.

Exhibit PD-VIII
Reported Violent Crimes In The City - Period Covered, 1985 – 2014



Source: Bureau of Justice Statistics, FBI, Uniform Crime Reporting Program (Arrest Data Analysis Tool).

Crime Rates. Crime rates are indicators of reported criminal activity across a standardized population. As such, these rates are useful when analyzing criminal activity in different, but somewhat similar, municipalities. Exhibit PD-IX shows a summary of the City’s crime rate (per 1,000 people) for each of the years 1985 through 2014.

**Exhibit PD-IX
City Crime Rates
Period Covered, 1985 – 2014**

FY Ended December 31	Crime Rate	FY Ended December 31	Crime Rate
1985	6.8%	2000	6.4%
1986	9.5	2001	6.5
1987	8.3	2002	9.4
1988	8.5	2003	11.6
1989	10.2	2004	11.8
1990	13.1	2005	12.2
1991	12.9	2006	13.7
1992	12.5	2007	12.9
1993	11.1	2008	13.3
1994	9.9	2009	13.9
1995	11.1	2010	12.2
1996	7.9	2011	9.9
1997	7.5	2012	10.4
1998	6.7	2013	9.3
1999	6.2	2014	8.9

Source: Bureau of Justice Statistics, FBI, Uniform Crime Reporting Program (Arrest Data Analysis Tool).

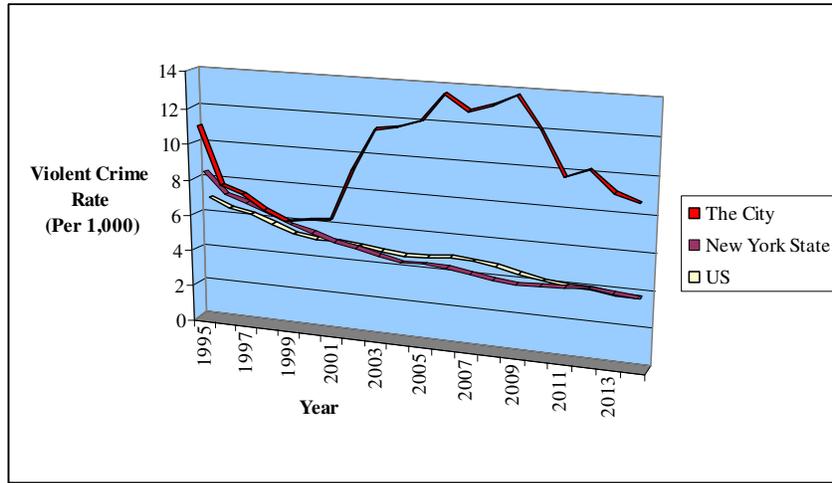
As noted in the above table, crime rates in the City have varied since 1985. However, on average the rate since 1995 was 10.1% (per 1,000 persons), which was approximately double the State and national averages . For 2014, the crime rate of the City was estimated to be 8.9%, compared to 3.8% for the State and 3.7% for the Nation as whole.

A logical next question is whether annual movement in City crime rates follows a similar trajectory to that of the State and the Nation. Exhibit PD-X on the following page provides a summary of crime rates in the City, the State, and the Nation (per 1,000 people) for each of the years 1995 through 2014.

As noted in Exhibit PD-X, changes to crime rates in the City for the years 1995 to 1999 were generally in line with both the State and the Nation. However, between the years 2000 and 2014, City crime rates seem to be on a separate trajectory. The chart shows that City has seen more pronounced increases and decreases compared to the State and the nation. This may in part be due to the general urban environment of the City, which presents many unique obstacles.

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Exhibit PD-X
Comparable Crime Rates (City, State, and National)
Period Covered, 1995 – 2014



Source: Bureau of Justice Statistics, FBI, Uniform Crime Reporting Program (Arrest Data Analysis Tool).

As noted, the City is an urban environment, which means law enforcement needs will differ greatly from that of a town or village department. As such, comparing crime rates to other area cities may provide for better understanding of crime in the City. Exhibit PD-XI below shows the 2014 crime rates (per 1,000 persons) for 10 Mid-Hudson cities. The cities included are Kingston, Middletown, Mount Vernon, New Rochelle, Newburgh, Peekskill, Port Jervis, Poughkeepsie, White Plains, and Yonkers. Although in the Hudson Valley Region, information for the City of Beacon was not available.

Exhibit PD-XI
Crime Rates – Mid Hudson Cities
2014 (Per 1,000 Persons)

Rank	City:	Estimated Population	Reported Violent Crimes	Crime Rate
1.	Newburgh	28,571	435	15.2%
2.	Poughkeepsie	30,554	272	8.9
3.	Mount Vernon	68,071	554	8.1
4.	Yonkers	199,134	1,036	5.2
5.	Middletown	27,809	114	4.1
6.	Kingston	23,665	74	3.1
7.	New Rochelle	78,800	175	2.2
8.	Port Jervis	8,689	15	1.7
9.	White Plains	57,559	78	1.4
10.	Peekskill	23,908	30	1.3

Source: Bureau of Justice Statistics, FBI, Uniform Crime Reporting Program (Arrest Data Analysis Tool).

Comparatively, Poughkeepsie has a moderate amount of reported violent crimes, yet they held the second highest crime rate of the listed cities during 2014.

RECOMMENDATION – POLICE 3:
REDUCTION OF VIOLENT CRIME RATES

If the City could reduce violent crime rates to levels that more closely approached those of other Mid-Hudson cities, residents and businesses may feel more confident that the City is a safe place to live, work, and raise a family.

E911 Call Center

911 is an important factor in ensuring the safety of area residents, business owners, and visitors. The City of Poughkeepsie maintains and operates an emergency response call center, and provides back up capabilities to Dutchess County's (the "County") 911 system. If either entities' call receiving capabilities are exceeded, or a 911 call cannot be answered, there is an automated system in place to have the call answered by either center.

The County maintains an enhanced 911 system, which means calls are selectively routed depending on the caller's location. According to the National Emergency Number Association, approximately 93% of counties with 911 coverage have an enhanced system. This system is believed to improve upon response times. The County plans to continually advance its response system. In fact, during the summer of 2015 the County was awarded approximately \$2.0 million in grant funding through the State for 911 system upgrades. According to the State, the funding is intended to be used to install new radio equipment at towers and antenna sites to expand coverage; set up common interoperability and mutual-aid channels among public safety radio systems; consolidate emergency services dispatch facilities; and deploy technology so that counties can link systems together. Dutchess was one of 17 New York counties to receive funding under this program.

The 2015 and 2016 adopted budgets of the City included appropriations of approximately \$1.3 and \$1.2 million for Communications / E911 System. Of these amounts, approximately 80% correlates to employee salaries and benefits. The City has previously considered a consolidation of the E911 system with the County. At the time it was believed a consolidation had the potential to increase response times. As such, the City elected not to pursue an agreement with the County. Nevertheless, considering the upgrades to the County's system, it would be advantageous to re-examine this opportunity. A consolidation with the County would likely result in significant cost savings to the City.

RECOMMENDATION – POLICE 4:
EXPLORE THE CONSOLIDATION OF THE E911 SYSTEM

A local government's primary responsibility is to deliver services for the benefit and well-being of its residents. Ensuring the safety of residents, business owners, and visitors certainly falls into this category. However, there presently exists an overlap between the City and the County's 911 systems. With upgrades to the County's system, the City should re-examine the potential for consolidation.

If the City is to address the current deficit position of the General Fund, it will first need to develop a structurally sound budget. Maximizing available savings from pursuing and implementing shared services with neighboring governmental partners is an excellent way to reduce costs and assist with restoring fiscal stability. An effective shared service plan will not only ensure that services are not being duplicated, but should also be advantageous to all parties involved.

In addition to the 911 system, the City should continue to work with its governmental neighbors to explore other shared service opportunities.

Police Department Concluding Findings

The duties and tasks of the Police Department are numerous. The command staff is comprised of highly dedicated individuals. Given this dedication, the Police Department is well positioned to become a leader among medium-sized police agencies in the Mid-Hudson region.

Based on an in-depth analysis, there are various actions which could be taken by the Police Department to improve upon operational efficiencies. Improving operational efficiency will result in a more effective department, which will assist the City in achieving its overall vision.

Below is a list of the primary findings of the analysis:

- *Recommendation – PD 1: Determine appropriate police staffing requirements*
- *Recommendation – PD 2: Continue efforts to control overtime*
- *Recommendation – PD 3: Reduction of Violent Crime Rates*
- *Recommendation – PD 4: Explore the Consolidation of the E911 System*

DEPARTMENT OF RECORDS

Overview & Structure

According to the Charter, the City Chamberlain maintains all papers belonging to the city. Below is a summary of the responsibilities of the Chamberlain and the Department of Records:

- The Chamberlain will act as the Clerk of the Common Council and attends all Council meetings.
- By the Charter, the Department of Records has been declared a town clerk's office for the purpose of depositing and filing all books and papers required by law to be filed in a town clerk's office
- The Chamberlain possess all the powers and duties of a town clerk
- The Chamberlain keeps a log of all moneys received belonging to the city, and upon receipt thereof pays the same over to the Commissioner of Finance and takes a receipt from such Commissioner.
- Oversight of the Parking Fund



General Management & Departmental Structure. The City of Poughkeepsie Department of Records (the “Records Department”) consists of 3 total employees and is headed by the City Chamberlain. The Chamberlain is assisted by a Deputy Chamberlain and a Registrar. Although, small in size the Records Department has many tasks. In May of 2015 oversight of the parking fund, which is a part of the City’s General Fund, was assumed by the Records Department.

Along with the respective Department Heads, the City Chamberlain establishes various guidelines for proper records management in any City department or agency. The guidelines are required to be in accordance with local, State, and Federal laws.

Records Department Finances

General Expenditures. The operations of the Records Department are classified as governmental activities and are financed primarily through from the General Fund. According to the (unaudited) Annual Update Document, which is filed with the Office of the State Comptroller, the Clerk and Registrar of Vital Statistics accounted for approximately 0.47% of General Fund expenditures for the fiscal year ended December 31, 2015. For 2016, as budgeted, expenditures for the Clerk and Registrar of Vital Statistics are anticipated to remain relatively consistent to prior years.

Exhibits RD-I on the following page highlights the (unaudited) annual expenditure pattern of the Clerk and Registrar of Vital Statistics for the fiscal years ended December 31, 2010 though 2014.

Exhibit RD-I
Clerk and Registrar of Vital Statistics & General Fund Expenditures
Fiscal Years Ended December 31, 2010 – 2014

FY Ended December 31:	General Fund Expenditures:	Clerk & Registrar of Vital Statistics	% To General Fund
2010	\$43,910,568	\$189,589	0.43%
2011	45,961,981	175,754	0.38
2012	45,232,930	176,291	0.39
2013	42,648,065	224,392	0.53
2014	42,915,902	203,731	0.47

Source: The (unaudited) Annual Update Documents of the City.

Personnel Expenditures. Combined, personnel costs and employee benefits represent the largest annual expenditure of the Records Department. Nevertheless, due to the small size of the Department, the costs are not significant. Other departmental expenditures relate to general office supplies and are minimal.

Sources of Revenue. The Records Department is able to generate revenues through the collection of fees in connection with any search or copy of any paper or official record made and certified by the Chamberlain. Hospital services are provided to residents of the City by Vassar Brothers Hospital, which is located in the City, and the Mid-Hudson Regional Hospital of Westchester Medical Center (formally St Francis Hospital), which is located just over the City line in the Town of Poughkeepsie. As a result, the Records Department files an extensive amount of birth related documents.

By charter, the City Chamberlain is required to provide an annual report to the Common Council which includes a cost / benefit analysis. The Chamberlain indicated that, in general, departmental revenues exceed expenditures.

Generating new sources of revenue in the Records Department would be difficult, however several grants are offered through the State to support, promote, and recognize sound records

management practices with respect to local governments. The Records Department could benefit by seeking out and applying for such grants.

RECOMMENDATION – RECORDS 1:
SEEK OUT RECORDS MANAGEMENT GRANTS

In conjunction with the City Administrator and Department of Finance, the Records Department should seek out and apply for records management grants offered through the State. Grants may provide funding for technology upgrades, equipment upgrades, and for training purposes.

The New York State Local Government Records Management Improvement Fund is a grant program which can provide funding to assist local governments with the establishment or improvement of a records management program. Although a competitive grant, awards are based on the merits of the completed application. As of the date of this report, applications are being accepted in connection with the 2015-16 grants.

RECOMMENDATION – RECORDS 2: ***DEVELOP, IMPLEMENT, AND ADHERE TO DEPARTMENTAL POLICIES AND BEST PRACTICES***

The Department of Records would benefit from the development of a series of best practices with respect to the oversight of City records. The New York State Archives could be a valuable tool in this process. Through 9 regional offices, the State Archives will provide advisory services on any matter relating to records management. In addition, upon request, the State Archives will provide customized training and additional resources to a municipal entity. Requests for services may be made to: archtrain@nysed.gov.

Benefit: Given the sensitive nature of documents handled by the Records Department, ensuring proper procedures are followed is vital to the City.

RECOMMENDATION – RECORDS 3: ***INVESTIGATE OPPORTUNITIES FOR SHARED SERVICE AGREEMENTS WITH OTHER REGIONAL GOVERNMENTS***

Local governments are increasingly investigating opportunities to engage in regional partnerships as a means to reduce costs and increase efficiency. As a regional focal point for the County, the City should explore opportunities with area governments, including the County, as it relates to the management and storage of records.

DEPARTMENT OF LAW

Overview & Structure

The Department of Law represents the City with respect to all legal matters. Corporation Counsel prosecutes criminal actions in the City Court, provide guidance to the Mayor, Common Council and all departments, draft legislation, negotiate labor contracts, real estate and development contracts and handle all matters of litigation.

As deemed appropriate by the Common Council and under the supervision of Corporation Counsel, the Department of Law is empowered to engage outside counsel to prosecute and defend

certain matters. In addition the Department can be authorized to prosecute matters on behalf of the District Attorney for Dutchess County.

General Management & Departmental Structure. The Department of Law (the “Law Department”) consists of 5 total employees and is headed by the Corporation Counsel. Corporation Counsel is further assisted by 2 Assistant Corporation Counsels, a Paralegal, and a Legal Assistant. Each employee in the Department possesses an area or expertise and thus tasks are delegated with respect to the nature of the work. However, all tasks are supervised by Corporation Counsel. To a degree, employee schedules are overlapped in order to ensure sufficient coverage at all times. Overtime occasionally is required in the Department, but is not excessive. In addition, the Department holds weekly staff meetings to ensure that departmental staff members are continually updated.

Expenditures. Combined, personnel costs and employee benefits represent the largest annual expenditure of the Records Department. Contracts for outside services, represent the Departments second largest annual expenditure. Nevertheless, due to the small size of the Department, the costs are not significant. Administrative expenditures are minimal.

Despite low operating costs, the Department oversees and manages claims and pending actions against the City. Negative findings on these matters could have a material impact on City finances. At any point in time there are generally a number of outstanding claims and pending actions against the City that allege personal injury, civil rights violations, contract violations and erroneous administrative determinations by City officials. However, most claims and judgments do not exceed the City’s insurance coverage and reserves. Nevertheless, maintaining adequate insurance coverage is vital to the City’s fiscal health. Thus, the City should review its outstanding insurance policies to insure they are both appropriate for the City’s needs and that the level of coverage provided is adequate. For claims below policy limits, the City has designated a portion of the fund balance for self-insurance. According to the City’s audited financial statements, the self-insurance designation in the General Fund was \$500,000 at December 31, 2014.

RECOMMENDATION – LAW 1:
REVIEW ALL INSURANCE CONTRACTS

It is not unusual for claims to increase during tough economic times. As such, over the past several years, claims against the City have risen. Negative findings could have a material impact on the City’s fiscal position. Although the City maintains various insurance policies as a safeguard against negative findings, the City should review all outstanding policies to ensure that coverage levels are adequate and appropriate to meet the City’s needs. In addition, the City should conduct an assessment of insurance costs to determine if the City’s premiums are inline with general market rates.

In addition, the City should explore shared service agreements with neighboring governments as it relates to insurance. Insurance premiums can be costly on their own, but this cost may be mitigated through partnerships with other municipal entities.

Sources of Revenue. The Law Department is able to generate revenues through the restitution of claims.

RECOMMENDATION – LAW 2:
REVIEW THE STRUCTURE OF CITY FINES

In collaboration with other City Departments, the Law Department should conduct a comprehensive review of the City’s structure of fines. As necessary, revisions should be made to charges that are determined to be insufficient. Increasing fines would have a positive impact on future revenues.

DEPARTMENT OF ASSESSMENT

Overview & Structure

According to the City’s Charter, the Commissioner of Assessment shall perform all of the duties in relation to the assessment of property within the City and shall possess all of the powers related thereto. The Department is governed by and operates under requirements provided by the Real Property Tax Law.

Below is a summary of responsibilities carried out by the Commissioner of Assessment and the Department of Assessment:

- Valuing real property within City limits
- Establishing and maintaining a fair and equitable assessment roll
- Determining property use and ownership
- Collecting and maintaining physical inventories for each parcel within City limits
- Maintaining property record cards
- Collecting new construction and demolition data
- Maintaining sales file and sales reporting system
- Administering the various tax exemptions authorized under state and local law (see list of exemptions below)

Real property tax assessment is a vital function for any municipal entity. Property taxes represent the City’s largest source of revenue. As such, the Department of Assessment should be considered a fundamental part of the strategic fiscal plan.

General Management & Departmental Structure. The City Department of Assessment consists of 3 total employees, including a part-time clerk, and is headed by the Commissioner of Assessment. Tasks are delegated to staff by the Commissioner of Assessment as they come in.

Tax Assessing Units

Statewide Overview of Tax Assessing Units. According to the New York State Office of Real Property Tax Services (“Reforming New York’s Property Tax System”), the property tax system in New York is perhaps one of the most intricate in the nation. In fact, a report released by the New York State Office of the State Comptroller (“Reducing the Cost of Tax Assessment Through Shared Services,” dated May 2011) indicated that, on average, states have less than 100 assessing units. In fact, only seven states were reported having over 500 units. At an estimated 1,110 units, New York was one of the seven states. Of these units in New York, approximately 89.2% were either town or city units. Noting the extreme number of assessing units across New York State is important because it alludes to overlap and the possibility for shared service agreements between

units. The City should explore sharing certain aspects of its assessing function as a means to reduce costs and increase efficiency levels. The following section will further expand upon this concept.

Dutchess County Tax Assessing Units. According to the County, each municipal entity in the County has at least one assessor, excluding incorporated villages. Although assessment occurs at the local level, the Dutchess County Real Property Tax Service Agency is able to provide various services to area assessors. The County may also make recommendations, supplies training, and provides escrow account management services to local assessors and boards of assessment review. Presently, the City does not take advantage of the magnitude of services supplied by the County. Better utilization of County provided assessment assistance would benefit the City Commissioner of Assessment. By delegating certain functions to the County, the Commissioner of Assessment will be better able to concentrate on matters that require local attention. This should have a positive impact on efficiency levels for the City Department of Assessment.

Furthermore, in 2011 an analysis was completed by Hudson Valley Pattern for Progress which evaluated shared services opportunities amongst local governmental in Dutchess County (“Examining Shared Services Potential in Dutchess County: A Discussion Brief on Municipal Efficiency). The findings of the report suggested that (in general) most county-wide governmental entities were agreeable to the exploration of shared service agreements relating to assessment functions.

RECOMMENDATION – ASSESSMENT 1: BETTER UTILIZATION OF ASSESSMENT SERVICES PROVIDED BY THE DUTCHESS COUNTY REAL PROPERTY TAX SERVICE AGENCY

The Department of Assessment should conduct an evaluation of services provided by the Dutchess County Real Property Tax Service Agency County and the County Department of Finance to determine if any internal functions can be delegated to the County for assistance. The delegation of certain functions would enable the Commissioner of Assessment to better direct attention to matters that require local attention.

RECOMMENDATION – ASSESSMENT 2: EXPLORATION OF SHARED SERVICE OPPORTUNITIES AS IT RELATES TO ASSESSMENT FUNCTIONS

In addition to better utilization of County provided assessment services, the City should also investigate shared service opportunities with other area governments. Considering the vast number of assessing units across the State and County, opportunities may be present that could reduce the overall workload of the Department of Assessment.

Land Banking

Like many municipal entities since the collapse of the housing market, the City has been plagued by vacant and abandoned properties. The Department of Assessment indicated this is a particularly large issue for the City and has resulted in a strain on property values across several neighborhoods in the City. In addition to diminishing values, these properties present a multitude of other problems including vandalism and fire hazards. However, several local governments across the state have recently investigated the creation of land banks as a means to mitigate these types of problems.

Land banks are not-for-profit corporations designed specifically to address vacant and abandoned properties and to further foster the development of such properties. Such corporations possess

certain authorities that are not afforded to local governments. These tools can be used to reduce various dangers and liabilities that may surround the property. Since land banks decrease social and economic consequences resulting from blight, community revitalization becomes a more obtainable goal and can be catered specifically to the governments desire. To date, 20 land banks have been created in New York State.

In order to create a land bank, a local government must submit an application to New York State's Empire State Development. The application can include one or multiple governmental agencies. However, if multiple entities intend to apply for the creation of a single land bank, the application must include an intergovernmental cooperation agreement.

RECOMMENDATION – ASSESSMENT 3:
LAND BANK ANALYSIS

Land banking is a proven strategy that has been utilized on both a state and national level to address vacant and abandoned properties. The Department of Assessment has indicated that blight has been a particularly challenging issue for the City. As such, the City should conduct an analysis to determine if the creation of a land bank would assist in contending with this problem. In view of the fact that multiple entities can unite to apply for a single land bank, the City should consult with other local governmental agencies. A joint application may require less resources from the City.

DEPARTMENT OF FINANCE

Overview & Structure

Excluding the assessment of real property and as otherwise expressed in the charter, the Department of Finance manages the fiscal affairs of the City. The Department is headed by a Commissioner of Finance who is appointed by and serves at the pleasure of the Mayor. The powers, duties and responsibilities assigned to the Commissioner of Finance are many. Primary tasks imparted to the Commissioner of Finance by the City charter include:

- Assembling expenses and capital estimates as it relates to the budget (for the Mayor and Administrator)
- Supervision of all monetary disbursements, including direct control over all expenditures to ensure the budget appropriations are not exceeded
- Maintaining a general accounting system for the City, including its officers, departments and agencies
 - Uphold books for and exercise financial budgetary control
 - Keep separate accounts for appropriations contained in the budget
 - Managing reports of receipts and disbursements
- Submitting monthly statements of all revenues and expenditures (detailing the City's fiscal conditions) to the Mayor and Administrator, for use with the Common Council
- Preparing a complete financial statement and report for the Mayor and Administrator at the end of each fiscal year
- As required by law, giving such notice of taxes and special assessments
- Collecting all taxes (including special taxes authorized by law), special assessments, license fees, water rates, sewer rents, parking meter fees and other revenues of the City (including State and Federal Aid and funds from any court)

- Safekeeping all public funds belonging to or under the control of the City and depositing all funds in such depositories as designated by the Common Council
- As approved by the Common Council, arranging for the issuance of debt obligations, safekeeping invested funds of the City, and the general oversight of short and long-term debt obligations
- Managing and being held accountable for City purchases
- Approving all proposed expenditures; unless explicitly not required
- Supervising City deposits and investments to ensure compliance with State and Federal regulations.
- As purchasing Agent of the City, the Commissioner of Finance shall:
 - Execute the duties, possess all the power and authority, and be subject to the liabilities and obligations as prescribed by law for town collectors
 - Uphold control over all expenditures as it relates to the operation and maintenance of City Boards, Departments, Commissions and Agencies
 - Review purchase requests to ensure compliance with City policies and procedures
 - Maintain a record of all payments

City Charter - Monthly Reporting

In accordance to the City Charter, the Commissioner of Finance is required to provide the Mayor and Administrator with a monthly report for presentation to the Council. The report should clearly identify the beginning and ending cash balance of each fund and include a summary of all revenue and expenditure activity. In addition, the report should also contain any information expressly requested by the Mayor or the Administrator. The charter further indicates that such reports be filed as a public record with the City Chamberlain and also in the office of the Commissioner of Finance.

Given the current fiscal condition of the City, the primary demand of the Finance Department has been to focus on immediate matters. As such, the practice of presenting monthly financial reports has not been adhered to. Consequently, this has impacted the Administration and the Councils ability to continually monitor fiscal conditions. Nevertheless, the presentation of fiscal reports, as required by the charter, would enhance the City’s awareness of current fiscal matters conditions and would be helpful to the Administration and Council in making financial decisions.

RECOMMENDATION – FINANCE I: PREPARE MONTHLY FISCAL REPORTS AS REQUIRED BY THE CITY CHARTER.

In accordance to the City Charter, the Department of Finance should provide monthly fiscal reports to the Mayor and City Administrator for presentation to the Council. Although this practice has not been adhered to, it would positively impact the City by enhancing awareness of current financial matters. Maintaining an understanding of current matters will play a critical role in the City’s ability to forecast and prevent future shortfalls. In addition, filing the reports as public record will improve the City’s financial accountability. Financial accountability promotes the practice of openly reporting on operations in order to ensure that resources are appropriately matched to taxpayer needs. Transparency in this process is crucial.

The Annual Budget And Long-Term Planning

General. The annual budget, also referred to as the operational budget, sets forth a plan for revenues and expenditures and can be utilized as both a planning tool and as a method of control. As a planning tool, the budget defines an agenda for annual expenditures and then matches those outflows to projected revenues. As a method of control, a strict adherence to the budget ensures that expenditures will not exceed revenues. In addition, since the budget is made publicly available, it fosters financial accountability.

Budgetary control is the responsibility of the Commissioner of Finance and the City Administrator. The Common Council must approve any changes made to the budget to ensure that actual expenditures do not exceed the amounts appropriated. If necessary, the Mayor has the authority to transfer certain appropriations between line items within any given department, however other transfers will require Council approval. In some cases, transfers between and among the various departments must be authorized by vote of the Common Council. Moreover, it is the Council that has ultimate responsibility for budgetary compliance and control which includes making revisions to appropriations or estimated revenues.

Budget Process. The budget process for the City begins on or before July 31 of each year when the head of each administrative unit submits an estimate of revenues and expenses for the following year to the Mayor. Upon completion of the review of such estimates, the Mayor prepares and submits the proposed budget



to the Common Council, and files a copy in the office of the Chamberlain. The Common Council reviews the Mayor's tentative budget and may make changes or revisions that are not inconsistent with law. A public hearing must be held not less than 10 days following official notice of such hearing. Members of the community may express their views regarding the proposed budget. Following the public hearing, the Council may make such revisions as might be required. The Mayor then has up to ten days to veto changes made by the Common Council. Subsequently, the Council has up to five additional days to override a veto. The budget for the ensuing year must be adopted on or before December 31st of each year.

The budget process does not conclude when the budget is formally adopted. In fact, the process of continually monitoring the budget is equally as vital as the adoption process. As necessary, the document should be revised to reflect any unexpected situations that occur during the fiscal year.

Departmental Budgets. Although the charter affords budgetary control to the Commissioner of Finance and the City Administrator, each department head plays a significant role in the budget process. Information provided by the department heads during the initial planning phase will form the foundation of the budget. If this data is not factual or applicable to the operations of the

department, an inherent level of risk will be incorporated to the budget. Even slight miscalculations of revenues or expenditures could produce shortfalls which may jeopardize the department or City's ability to deliver services. After adoption, the budget becomes a mechanism that will govern the day-to-day operations and department heads will be responsible for operating within its constraints.

Over the past several years, poor interdepartmental communication has hampered the City's budget process. Despite its complexity, it reasonable to expect certain pressures will develop as departments compete for a limited a pool of resources. Nevertheless, maintaining departmental involvement and transparency throughout the process will encourage innovative thinking and foster the efficient use of funds. In addition, education can be a valuable tool when addressing departmental requests and concerns during the initial phase. An awareness of fiscal constraints may ease tension when fund requests require modification.

RECOMMENDATION – FINANCE 2: DEVELOP A SERIES OF BEST BUDGETARY PRACTICES THAT WILL PROMOTE INTERDEPARTMENTAL COMMUNICATION & EDUCATION

In recognition of previous years of poor interdepartmental communication, the City should incorporate a series of best practices relating to the development and implementation of the operational budget. These practices should promote interdepartmental communication and education, which could alleviate tension and foster the cooperation of key staff members.

Capital Budgeting. Like the annual operating budget, the capital budget is a management tool that is essential to local government operations. Capital budgeting includes the development of a long-term strategy to procure and/or repair assets such as buildings, roads, water and drainage lines, vehicles, and various other tangible goods. The anticipated method of funding is also included as a part of the plan. Generally funding is derived from cash on hand, aid payments, grants, or through the issuance of debt. In addition, the capital budget encourages fiscal accountability by informing residents of upcoming capital expenditure requirements.

For capital budgeting to be successful, it is crucial for an entity to have an accurate inventory of assets, an evaluation of asset conditions, and, perhaps most importantly, a solid understanding of the ability to fund projects. Given the aged infrastructure of the City, a well designed capital plan is essential to restoring the fiscal health of the City. If the City is unable to maintain its infrastructure, the delivery of essential services may be jeopardized, which in turn may be a deterrent to future economic development activities.

As noted in the debt section of this strategic plan, it would be advantageous for the Finance Department to work with administration in developing a long-term plan focusing on the capital requirements of the aged infrastructure.

Multiyear Financial Planning. Multiyear financial planning takes the budget process slightly further. This type of plan forecasts income and expenses over a period of several years and can be utilized as a tool in conjunction with the annual operating budget. One distinction of a multiyear plan is that it does not formally authorize spending. It is simply intended to assist key decision makers in determining future risks and opportunities based on today's assumptions. If risks are perceived in future years, the multiyear plan should provide ample time to develop a reactionary plan and to evaluate fiscal decisions.

According to OSC, multiyear forecasts are believed to be a valuable instrument for financially constrained jurisdictions. When fiscal crisis hits, it is common for entities to lose focus of long-

term plans and to concentrate only on day-to-day operations. When this occurs, local governments tend to have a much more difficult time balancing operations, and the probability a fiscal shortfall is increased. As a result, an entity may begin to appropriate fund balance (if available) or to seek out non-recurring forms of revenue (such as the sale of property). Although these methods may offer a temporary reprieve, they are not sustainable solutions and suggest high levels of vulnerability. An effective multiyear plan will identify the long-term effects of short-term decisions, which may in turn highlight potentially detrimental fiscal practices.

RECOMMENDATION – FINANCE 3: DEVELOP & REGULARLY UPDATE A MULTIYEAR FINANCIAL PLAN

According to OSC, multiyear financial planning can be an effective tool for forecasting and combating fiscal crisis. The City would benefit from the development of a multiyear plan. Due to its scope, the Department of Finance would be responsible for development and maintenance of the plan. In order to reflect changes in the local economy, the plan should be updated at least annually. It is not uncommon for local governments to make revisions at various points throughout the fiscal year.

According to OSC, the general components of a multiyear plan include:

- *Timeframe:*
 - *Approximately 3 to 4 years of historic information*
 - *Estimated data for the current year*
 - *Approximately 4 (or more) years of projections*
- *Elements:*
 - *Revenue Trends & Forecasts*
 - *Expenditure Trends & Forecasts*
 - *Surplus/Deficit Trends & Forecasts*
 - *Analysis of Year End Reserves*

Public Education And Engagement

Providing education during difficult financial times can be an effective way to spawn constructive public discussions, acquire feedback, and to gain acceptance relating to difficult decisions. If and when difficult decisions are required, public engagement will assist in prioritizing the needs of stakeholders. The Department of Finance will be responsible for providing clear and accurate financial information to the community.

Technology

Even when resources are scarce, it is fairly common for municipal jurisdictions to invest in computers and related software programs. The return generally comes in the form of enhanced operational efficiencies, which can have a significant effect on the bottom line. Nevertheless, many of the City's technology systems, including the Department of Finance, either require significant upgrades or are not being utilized to their full capacity.

In particular, the Department of Finance has been impacted by inadequate software training. As result, several core fiscal operations require manual support by antiquated and labor-intensive techniques. This approach is time consuming and has resulted in the

frequent build up of finance related tasks. Although the Department of Finance has done a remarkable job, technology constraints represent a threat to the department's future growth and to the stability of the City's finances. Nevertheless, appropriately training key financial staff members will assist in alleviating this limitation.

In recent years the County has been proactive in providing technology support to area governments. Various levels of training and other forms of support are made available through the Dutchess County Office of Central and Information Services ("OCIS"). The City Department of Finance would benefit through the development of a training partnership with the County OCIS. Enhancing the City's understanding of software capabilities would enable staff members to refocus their efforts on more imperative duties.

RECOMMENDATION – FINANCE 4:
PURSUE TRAINING ON FINANCIAL SOFTWARE AND DEVELOP BEST PRACTICES

The City remains highly dependent on financial software for both planning and reporting purposes. As such, technology should be considered an important factor in the establishment of structurally sound fiscal operations. Training key staff members in the functionalities of software is equally as critical. At present, a disparity exists between the Department of Finance's software capabilities and its' training. As such, the department supplements with techniques that are antiquated and labor-intensive. Dutchess County has knowledge of the City's financial software and has been proactive in recent years through providing technology support and training to area governments. The City should investigate County offered training opportunities, which will gradually financial operations and management.

Although initial training sessions will be necessary, they should not be a solitary event. In fact, it will be advantageous to supply employees with ongoing training. Also, as new employees join the City, it will be vital to ensure they receive an appropriate level of training. Therefore, the City should develop a series of policies and best practices relating to technology education.

Staffing Considerations

The City Department of Finance consists of approximately 14 employees according to the 2016 adopted budget. Despite limited staff, the responsibilities carried out by the department are both complex and directly connected to the City's fiscal health. As a whole, the department seems to be adequately staffed. However, as previously noted, there appears to be a significant need for training on financial software. The application of analytic tools will have a positive impact on the workflow of the Finance staff and will enable them to better focus on more critical tasks.

RECOMMENDATION – FINANCE 5:
REVIEW OPERATIONAL FUNCTIONS AFTER LEVERAGING TECHNOLOGY

Leveraging the City's technology will have a positive impact on the Department of Finance and should enhance employee productivity levels and morale. Once training is complete, the Department of Finance should conduct a comprehensive review of its operational functions to ensure that staff members and tasks are properly aligned. The development and implementation of workforce strategies in the finance department should result in cost savings and allow staff to collect revenues in a more efficient manner. Accordingly, this will positively impact the City's ability to develop realistic and effective operating budgets.

DEPARTMENT OF BUILDING, PLANNING, AND ZONING

Overview & Structure

The Department of Development (the “Development Department”) consists of the planning, building, and social development divisions. The general responsibilities of the Department include:

- Development of Building Regulations
- Issuance of Building Permits
- Certificates of Occupancy
- Oversight of Planning And Zoning Code
- Development And Provision of Staff Support For The Planning Board And Zoning Board of Appeals
- Enforcement of Zoning Related Issues
- Enforcement of Various Ordinances Including Construction Codes, Property Maintenance Code And Special Use Permits
- Regulation And Issuance of Electrical And Plumbing Licenses

Source: The (official) website of the City of Poughkeepsie.

Building Division. The Building Division consists of 5 employees and is headed by the Building Inspector. The Building Inspector is assisted from time to time by a third party, private engineer who receives payment only after the City has been paid. This is atypical and the Building Division should be commended for negotiating such an aggressive contract.

Although, small in size the Building Division has many tasks. In accordance to the Charter, the Inspector is tasked with the enforcement of all State and local building code regulations within City limits. In addition, the Inspector will enforce ordinances relating to zoning and minimum housing standards. The Inspector can make recommendations regarding the establishment of laws and regulations for building and zoning matters. Most of the staff on the Building Division is qualified in multiple areas, which is helpful in terms of distributing tasks and ensuring sufficient coverage on a day-to-day basis.

Based on focused interviews with key staff members from the Building Division, there are 2 primary recommendations:

RECOMMENDATION – BUILDING 1: ***SEEK OUT RECORDS MANAGEMENT GRANTS***

In conjunction with the City Administrator, the Department of Finance, and the Department of Records, the Building Division should investigate grant funding opportunities relating to records management. Key staff members in the division have indicated that hardcopies of documents are kept on file and that inefficiency exist in this process. State grants may provide funding for technology upgrades, equipment upgrades, and for training purposes. Since a similar recommendation was made to the Department of Records, the Building Division should work closely with them relating to a grant application.

RECOMMENDATION – BUILDING 2:
ASSIST WITH LAND BANK ANALYSIS

Vacant properties can result in a number of financial drawbacks in addition to various other types of physical dangers. The City has been plagued by this problem in recent years. As such, a recommendation was included in this plan relating to an investigation into the development of a land bank. The Building Division will be a crucial component of this analysis and thus should work in unison with other City Departments on its creation.

Community Development. Community Development operates as a part of the Building Division and provided funding incentives relating to the economic development within the City. Operations of the subdivision are managed by the Community Development Administrator. Funding for the offered incentives and other related expenses are provided the State and Federal grants, primarily the Community Development Block Grant (“CDBG”), the Economic Development Loan Fund (“EDLF”), and the First Time Homebuyer Program. The subdivision has no burden on the City’s finances since it is fully paid for by outside funds. Individuals and private businesses seeking funding through the subdivision must first submit an application. The applications are then reviewed by a Board who will make a final determination.

The subdivision would benefit from increased public awareness of the development incentives. As such, a targeted marketing campaign would be encouraged.

RECOMMENDATION – BUILDING 3: TARGETED MARKETING CAMPAIGN RELATING TO COMMUNITY DEVELOPMENT INCENTIVE FUNDS

The incentives awarded to individuals and private businesses through the Community Development subdivision have the potential to spur the local economy. As such, a targeted marketing campaign highlighting available programs would be beneficial to the subdivision, the City, and ultimately the entities selected for funding.

Planning Division. The Planning Division provides various levels of support relating to land use matters, City highways, transit, and transportation projects. The Division actively participates in the submission of Federal and State Grants and will provide support to a number of City Boards and Committees.

Planning for the future development of the City will be integral to the fiscal health of the City. As such, the Planning Division should assist in the long-term planning of this development

RECOMMENDATION – BUILDING 4:
ASSIST WITH DEVELOPMENT OF A LAND USE AND ZONING PLAN

A recommendation was included as a part of this plan with respect to the development of a zoning plan. The Planning Division will be pivotal in this process and should work closely with administrative officials on the creation of this plan.

FIRE DEPARTMENT

Overview & Structure. The City Fire Department (the “Fire Department”) consists of approximately 64 (paid) members and operates through three stations. On average, the Fire Department responds to approximately 5,000 calls per year. The Fire Department operates four engines, two ladder trucks, one rescue vehicle and one fire/rescue boat.

According to the Fire Department’s website, services are provided to City residents and visitors through the following departmental subdivisions

- *Administration*
 - Formulation, coordination and delivery of fire department services
 - Supervision and direction of subordinate divisions
 - Long-term and strategic planning, as well as the annual budget
- *Training and Development*
 - In-service and field training to all firefighters and officers
 - Direct responsibility for all academy recruits until completion of field training
 - Providing and co-sponsoring training with adjacent fire departments and civic groups.
- *Suppression and Protection*
 - Responds to all requests for emergency assistance
 - Dispatched by the City of Poughkeepsie E-911 Center.
- *Fire Prevention*
 - On-site visits to local schools, churches, as well as each of the fire houses throughout the year.
- *Investigation*
 - Investigates fires or explosions
 - As necessary, joint work with the City of Poughkeepsie Police Department.
- *Inspections*
 - Permits, licenses, and inspections are now handled by the City of Poughkeepsie Building Department



Source: The City of Poughkeepsie’s Officials website.

Department Head (Chief of Police).). In accordance to the Charter, the Fire Chief (also referred to as the Chief Engineer of the Fire Department) maintains control of the Fire Department. The Fire Chief is a civil service position and is appointed in accordance with the Charter and applicable civil service laws.

Through the Charter, the Fire Chief is afforded the following powers and duties:

1. Authority to enter and examine all buildings and lots to ensure compliance with City fire regulations. Infractions are reported to the Chief of Police.
2. Maintain all fire houses and fire apparatus.

3. Work together with the Commissioner of Finance for purchases relating to the maintenance of fire related equipment and buildings.
4. Manage fire companies and appoint/remove volunteer firemen (as deemed necessary)
5. Define the responsibilities firemen.
6. Develop policies relating to departmental governance and discipline.

General Management & Organizational Structure. The Chief is assisted by 4 Captains who provide various levels of support. Firefighters work 24 hour shifts which rotate on a four day cycle.

Fire Department Finances

General Expenditures. The operations of the Fire Department are classified as governmental activities and are financed primarily through from the City’s General Fund. According to the (Unaudited) Annual Update Document, which is filed with the Office of the State Comptroller, the Fire Department accounted for approximately 12.18% of General Fund expenditures for the fiscal year ended December 31, 2014. The adopted budgets for the 2015 and 2016 fiscal years included appropriations of approximately \$5.4 million for the Fire Department. Exhibits FD-I and FD-II highlight the (unaudited) annual expenditure pattern of the Fire Department for the fiscal years ended December 31, 2010 though 2014.

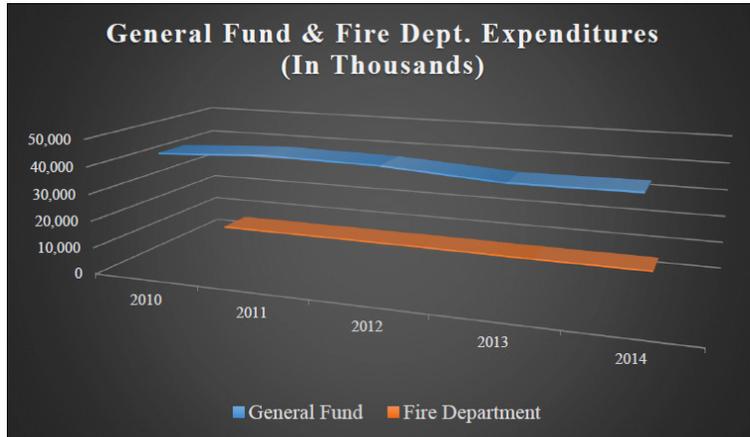
**Exhibit FD-I
Fire Department & General Fund Expenditures
Fiscal Years Ended December 31, 2010 – 2014**

FY Ended December 31	General Fund Expenditures	Fire Department	% Fire To General Fund
2010	\$43,910,568	\$5,812,651	13.24%
2011	45,961,981	5,710,815	12.43
2012	45,232,930	5,568,056	12.31
2013	42,648,065	5,276,814	12.37
2014	42,915,902	5,228,572	12.18

Source: The (Unaudited) Annual Update Documents of the City.

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Exhibit FD-II
Fire Department & General Fund Expenditure Trends
Fiscal Years Ended December 31, 2010 - 2014



Source: The (Unaudited) Annual Update Documents of the City.

Personnel Expenditures. Combined, personnel costs and employee benefits represent the largest annual expenditure of the Fire Department. Since 2010, related personnel and employee benefit costs have accounted for more than 90% of total Fire Department expenditures.

Sources of Revenue. The Fire Department is funded predominantly through budgetary appropriations and grants (when available). The Fire Chief is the primary person responsible for seeking out and applying for grant funds.

Fire Department Staffing Levels

The Fire Department – Budgeted Positions. Of all General Fund budgeted positions, the Fire Department consists of the second largest amount of employees. Excluding grant funded positions, the 2015 and 2016 adopted General Fund budgets included 60 and 61.5 positions relating to the Fire Department, which equates to approximately 20% of all budgeted positions. Since 2011, budgeted positions have declined by 8.3% for the Fire Department. Exhibit FD-III shows a summary of budgeted Fire Department positions for each of the fiscal years 2012 through 2016.

Exhibit FD-III
Budgeted Fire Department Positions - Fiscal Years Ended December 31, 2012 – 2016

FY Ended December 31	Fire Department Positions
2012 (Adopted Budget)	63.5
2013 (Adopted Budget)	61.5
2014 (Adopted Budget)	59
2015 (Adopted Budget)	60
2016 (Adopted Budget) ⁽¹⁾	61.5

(1) Excluded 7 grant funded positions.
Source: The Adopted Budgets of the City.

Staffing, Scheduling And Overtime. As previously noted, the largest recurring cost of the Fire Department relates to personnel. Excessive labor expenses can significantly impair an entities fiscal health. As such, it is crucial to analyze this factor to ensure efficiency. Even minor modification can sometimes result in significant long-term savings.

A vast number of factors can contribute to excessive labor costs. Some of the most common causes include staffing levels, poorly negotiated contracts, inefficient scheduling, and the misuse of overtime. Often, it is a combination of these factors that ultimately drive up labor related expenses. In focused interviews with key Fire Department officials, they highlighted a lack of staff as one of their primary concerns facing the department. Furthermore, the officials believe that inadequate staffing has resulted in excessive and preventable amounts of overtime. Since the Fire Department must provide 24 hour coverage, a certain level of overtime should be expected. Although costly, overtime can be effective in backfilling vacant shifts. The 2015 and 2016 adopted budgets of the City included an appropriations of \$528,407 and \$430,000 for overtime in the Fire Department, respectively.

As noted, factors leading to increased labor expenses are often interrelated. For example, it is possible that excessive overtime could be indicative of either scheduling inefficiencies or understaffing. To this extent, the Fire Department should work with the City Administrator and Department of Finance to conduct an analysis determining the cause of overtime. The review should pay particular attention to staffing levels, determine an appropriate level of staff and include a cost benefit analysis to clarify if the cost of additional employees would be offset by a relevant amount of overtime. The review should also incorporate an investigation into the Fire Departments scheduling practices to determine if they are optimal or if improvements could be made.

RECOMMENDATION – FIRE 1:

CONDUCT ANALYSIS FOCUSING ON STAFFING LEVELS, OVERTIME, AND SCHEDULING

In conjunction with the City Administrator and Department of Finance, the Fire Department should conduct an analysis to determine if staffing levels are adequate, an appropriate level of overtime, and optimal scheduling practices. The analysis should draw on data from similar sized cities to form a base for comparison purposes.

Labor related expenses constitute a significant portion of the City's annual operating budget. As such, developing a proactive approach to these costs should be the focus of all City departments. Adopting a series of labor related best practices and policies would be an effective method of clarifying expectations to employees and stakeholders alike.

Fire Department Equipment. The Fire Department maintains three stations and operates four engines, two ladder trucks, one rescue vehicle and one fire/rescue boat. The preservation of the stations and related fire equipment is vital to the safety of Fire Department staff and also City residents. Much of the equipment utilized by the Fire Department is highly specialized and requires continued inspection and maintenance. Equipment failure could result in a high level of exposure.

In connection with the City Administrator, Department of Finance, and Department of Public Works, the Fire Department should conduct a capital needs assessment. The assessment should include both the Fire Department's immediate needs and anticipated requirements over the next several years. The evaluation should also incorporate schedules relating to procurement/financing and the preventative maintenance of equipment.

RECOMMENDATION – FIRE 2:
CONDUCT CAPITAL NEEDS ASSESSMENT

It would be advantageous for the Fire Department to work with the Department of Finance and City Administrator in developing a long-term plan focusing on capital requirements. The plan should be continually reviewed and updated as necessary. Preserving City fire houses and related fire equipment is vital to the safety of firefighters and also City residents. A long-term capital plan would assist in the City's ability to develop financing strategies and also to ensure that equipment is both properly maintained and functioning appropriately.

DEPARTMENT OF PUBLIC WORKS

Overview & Structure. According to the City website, the Department of Public Works (the “DPW”) oversees and provides a multitude of services through the following divisions / subdivisions:

- *Administrative Division*
 - The administration division provides a focal point for grievances from the public and also administers various permits. It is estimated that the work center of the administrative division responds to approximately 2,000 service related calls a year. Service requests are directed to a divisions or subdivisions of the DPW depending on the nature of the request. The work center also coordinates emergency requests relating to underground utilities.
- *Bus Services*
 - The City Bus office operates the City of Poughkeepsie Transit System, which provides various transportation services throughout the City. On average, City buses travel over 650 miles a day.
- *Parking*
 - The parking unit operates and maintains off-street parking facilities and lots for the residents and visitors of the City and its visitors. Certain functions of this department are managed by other City departments.
- *Recycling & Sanitation*
 - The recycling and sanitation division is responsible for the collection of waste throughout the City.
- *Sewer Maintenance*
 - The sewer division is responsible for the inspection, maintenance, and repair of the City's 100+ miles of sewers. This includes supervision of over 2,000 manholes and 2,000 catch basins.
- *Water Distribution*
 - Through the Poughkeepsie Joint Water Treatment Facility, which is owned and operated by the City and Town of Poughkeepsie, drinking water is provided to City and Town residents. The Facility also distributes water to the Dutchess County Water Authority and the Town of Hyde Park.
- *Transfer Station*
 - The transfer station offers various recycling services and a bulk pickup service to City residents.

- *Urban Tree Division*
 - The urban tree division maintains the 12,000+ trees located throughout the City, and is also tasked with hanging banners and stringing lights during the holiday season.

Source: The City of Poughkeepsie’s Official Website.

Department Head (Commissioner of Public Works). In accordance with the Charter, the Commissioner of Public Works (the “Commissioner”) acts as the general manager and supervisor of the DPW. The Commissioner is appointed on the basis of experience and other qualifications. The Commissioner may recommend the appointment of a City Engineer and Deputy Commissioners to assist with the various functions of the DPW. Such appointments will require authorization by the City Administrator and the Common Council. If authorized, the appointed individual will be under the direct supervision of the Commissioner.

Through the Charter, the Commissioner is afforded the following powers and duties:

1. Direct management of all DPW operations under the supervision of the Mayor and City Administrator.
2. Supervision the City Engineer, other subordinate engineers, and all other DPW employees.
3. Authority to serve as the City Commissioner of Highways and the Superintendent of Streets.
4. Supervision of the design, construction, reconstruction, renovation, installation, alteration, repair, maintenance and cleaning of City streets, sidewalks, public squares, parking lots, bridges, public parks and portions of the Fallkill Creek.
5. Supervision of all tasks relating to waste water and storm water treatment facilities and collection systems, water treatment facilities and distribution systems, solid waste disposal and recycling facilities and collection systems.
6. Oversight of all City buildings, parking garages, docks, terminals and other improvements.
7. Maintenance and regulation of City trees, shrubs, plants, flowers and lawns in the streets, parks and public places.
8. Management of permits and regulations relating to City the opening of certain land surfaces within City limits.
9. Promoting the clearing of ice and snow and serve notice for non compliance with related City regulations.

Source: The City of Poughkeepsie Charter.

General Management & Organizational Structure. Due to the multiple disciplines overseen by the Commissioner of Public Works, the Commissioner is assisted by key staff members in each of the DPW’s divisions/subdivisions, including the City Engineer and any Deputy Commissioners. Tasks are delegated to the divisions/subdivisions through the DPW’s administrative division and are based on areas of expertise.

DPW Staffing

The DPW – Budgeted Positions. Exhibit DPW-I shows a summary of budgeted positions in various City Funds relating to the DPW for each of the fiscal years 2012 through 2016. The use of multiple funds somewhat complicates the tracking of DPW specific employees. In addition

this also makes it difficult to determine what level of DPW employees are actually supported by the City’s General Fund.

Exhibit DPW-I
Budgeted Positions – Various Funds
Fiscal Years Ended December 31, 2012 – 2016

FY Ended December 31	General Fund Public Works ⁽¹⁾	Water Fund	Sewer Fund	Sanitation Fund ⁽¹⁾
2012 (Adopted)	71	11	6	N/A
2013 (Adopted) ⁽¹⁾	54	9.5	4	13
2014 (Adopted) ⁽¹⁾	48	9.5	4	17
2015 (Adopted) ⁽¹⁾	49	8.5	3	17
2016 (Adopted) ⁽¹⁾	48	8.5	3	17

- (1) Special Note: The 2013 budget established the City’s Sanitation Fund, which included a quarterly user fee. Certain budgeted positions were transferred to the Sanitation Fund.

Source: The Adopted Budgets of the City.

Staffing Concerns. During focused interviews with key DPW officials various concerns were discussed relating to the optimal deployment of staff. Given the multitude of specialized functions handled by the DPW, complexities can easily arise even when just a few staff members are absent. DPW employees are responsible for the daily maintenance of the City’s fleet, repair streets, preserve parks and foliage, collect waste, amongst several other tasks and since job functions were designed to be task specific, it remains difficult for staff members to easily transition between DPW divisions/subdivisions. Nevertheless, despite the aforementioned deployment obstacles, management believes that staffing levels are adequate and that employees are generally aligned to the proper tasks. Nevertheless, this matter should be more closely evaluated by the DPW and the City.

A comprehensive review of operational functions to ensure that staff members are properly aligned and that tasks are broadly enough defined to allow for a certain level of overlap between positions would be beneficial. The DPW should work with the City Administrator and Corporation Counsel to develop the analysis. Depending on the findings of the analysis, the DPW may want to consider the creation of a labor pool which would allow for employees to travel between divisions/subdivisions as required for adequate coverage on a day-to-day basis.

RECOMMENDATION – DPW 1:
CONDUCT A COMPREHENSIVE REVIEW OF OPERATIONAL FUNCTIONS AND EMPLOYEE DUTIES

In cooperation with the City Administrator and Corporation Counsel, the DPW should conduct an analysis to determine if restructuring or reclassifying certain duties would alleviate day-to-day coverage obstacles.

RECOMMENDATION – DPW 2:
SCHEDULED MEETINGS WITH DIVISIONS / SUBDIVISIONS

Given the vast responsibilities of the DPW, the Department would benefit from better collaboration between its divisions/subdivisions. As such, the creation of a committee of

individuals representing each unit would assist in identifying key DPW topics. Meetings should be held on a set schedule.

Fleet Management. The effective management of vehicles is crucial to the fiscal health of the City. It is the responsibility of the DPW to maintain and repair this fleet. In general, the City's fleet is rapidly aging and has required a significant amount of attention and resources.

Several vehicles remain in operation even though they have exceeded their life expectancy. As such, DPW staff has not been able to keep up with the current demand of the aged fleet and several vehicles remain out of operation. This has a multitude of fiscal impacts on the City. Foremost, the workload placed on the DPW makes preventative maintenance nearly impossible. Thus, vehicles ultimately require more frequent and more costly repairs. In addition, when vehicles are out of commission, the City must seek out alternatives for the functions performed by that vehicle. This could mean the reorganization of City-owned operational vehicles, the renting of vehicles, or even providing a reimbursement to City staff when a personal vehicle is used. In any case, the alternatives often result in avoidable expenses, risks, and can impact quickly the City's ability to efficiently deliver services.

Over the past several years, the City has not been able to maintain an accurate inventory of its fleet. Although several attempts have been made to calculate the inventory, each effort has yielded a different count. The maintenance of an accurate inventory and related records is a critical step in detecting waste and abuse. Without accurate data, the City remains vulnerable. It would be advantageous for the City to develop a series of best practices and formal written policies relating to vehicle inventories and records. In addition, the DPW should review its current technology to determine if it is adequate to track the fleet and the condition of the fleet.

RECOMMENDATION – DPW3: CONDUCT VEHICLE INVENTORY / CONDITION ASSESSMENT AND EVALUATE TECHNOLOGY

Access to inventory, records, and vehicle condition data would be a valuable management tool and would enhance efficiency levels in the DPW. Increased efficiency levels would have an immediate impact on the finances of the City through cost reductions. In addition, the data would assist management in its ability to make informed decisions relating to the purchase of extended warranties and the repair or replacement of certain vehicles. As part of this process, the DPW should evaluate its technology to determine its adequacy in recording, monitoring, and reporting on vehicle related assets.

RECOMMENDATION – DPW4: DEVELOP FORMAL WRITTEN POLICIES AND BEST PRACTICES RELATING TO THE MAINTENANCE AND REPAIR OF CITY OWNED VEHICLES.

In connection with the City Administrator, the DPW should develop a series of formal, written policies and best practices relating to the maintenance and repair of City owned vehicles. The implementation of such policies would enhance the City's control over its fleet and ensuring preventative maintenance is would assist in circumventing costly repairs.

City Bus System. The City manages and operates the City of Poughkeepsie Transit System, which provides various transportation services. According to the City website, each day the buses travel approximately 650 miles and carry over 1,200 individuals. In addition, residents are also afforded access to transportation services through the County's busing system.

Since both the City and the County provide busing services to residents, it comes as no surprise that there is a certain level of overlap in the two systems. A County study was completed in 2013 which investigated a possible consolidation with the City's system. The finding of the study showed that a consolidation would result in fairly significant annual savings for the City and a nominal cost to the County. However, the study assumed a 50% recapture rate of current City riders. As such, the City elected not to further pursue an agreement with the County. Nevertheless, given the current fiscal conditions of the City, it would be prudent to reassess the bus consolidation.

RECOMMENDATION – DPW 5:

RE-ASSESS A CONSOLIDATION OF THE BUS SYSTEM WITH THE COUNTY

If the City is to address the current deficit position of the General Fund, it should review all current services to ensure they are being offered to residents in the most cost effective manner. Maximizing available savings from pursuing and implementing shared services with neighboring governmental partners is an excellent way to reduce costs and to ensure that residents maintain access to certain services. As such, the City should re-examine the 2013 bus consolidation study that was completed by the County.

Capital Improvements. As noted throughout this plan, the City's infrastructure is rapidly aging and will require significant investment in future years. The DPW should work with the City Administrator and the Department of Finance in order to construct a detailed and sustainable capital improvement plan. The DPW will be pivotal in assisting with the identification and prioritization of the projects included in the plan. The development of this plan is critical to the fiscal health of the City. As projects become emergencies, repair costs will rapidly escalate and the City loses flexibility with related decisions.

RECOMMENDATION – DPW 6:

ASSIST WITH THE DEVELOPMENT OF A SUSTAINABLE CAPITAL IMPROVEMENT PLAN

Given the rapidly aging infrastructure of the City, the DPW should work with the City Administrator and the Department of Finance to construct a detailed and sustainable capital improvement plan. The role of the DPW will predominantly focus on the identification and prioritization of projects.

SECTION IV

SUMMARY OF RECOMMENDATIONS

SECTION I RECOMMENDATIONS

RECOMMENDATION – GENERAL I: *DEVELOP LONG & SHORT TERM GOALS FOCUSING ON ACHIEVING THE CITY’S MISSION & VISION STATEMENT.*

In conjunction with the City Counsel, the Administration should develop a set of both long and short-term goals that specifically address the City’s mission, vision, and the deficit position of the General Fund. The goals account for internal and external factors. The goals should focus on restoring annual structural balance to the City’s finances and should be created with milestones so that fiscal progress can be measured. Instituting fiscal status reports for the review of the Administration and Council may be helpful in the evaluation of progress.

RECOMMENDATION – FISCAL MONITORING I: *TAKE ADVANTAGE OF “SIGNIFICANT STRESS” DESIGNATION BY ACCESSING AVAILABLE STATE PROGRAMS & TOOLS*

The Office of the State Comptroller makes available a broad scope of tools aimed at assisting local governments with the management of their finances. Some of these instruments include self-assessment programs, various types of training, management and research guides, tutorials, and a list of best practices. In addition, in 2013 the State implemented a fiscal monitoring system to detect struggling municipal entities.

The States monitoring system was implemented simply to identify local governments that may be susceptible to various forms of stress. A low ranking in the States system does not mean imminent failure is in the future, it is merely a warning sign. However, a low score will provide eligibility for certain State programs, such as assistance from the State Financial Restructuring Board (the “FRB”). Although the City has a pending application with the FRB, it should review other programs which may assist it in achieving fiscal stability. For instance, in addition to the comprehensive review, the FRB intends to make (grant) funding available so that fiscally eligible entities may hire and utilize an external advisor to assist with the development of a multiyear plan. The City should investigate and determine their eligibility for such programs. Low cost outsourcing to professional firms will provide the City staff with more time to focus on other tasks.

SECTION II RECOMMENDATIONS

RECOMMENDATION – FISCAL ANALYSIS I:
DRAFT WRITTEN POLICIES

The City would benefit from drafting written financial policies encompassing areas such as fiscal reserves, budgetary procedures, human resources, travel, accounting controls, debt management, and forms of long-term planning.

Formalizing such policies will add transparency to City operations, which will provide guidance to City employees and present clarity to all stakeholders. Once drafted, the policies should be presented in full form to the City Council for consideration and adoption.

Due to the complexity of some of the legal requirements relating to the establishment of certain policies, the City should consult with legal counsel when drafting / adopting policies.

RECOMMENDATION – REVENUE I:

CONTINUE EFFORTS TO SEEK OUT ALTERNATIVE SOURCES OF RECURRING REVENUES

The City's distressed financial condition has been intensified by slow growth of its primary revenue sources, which have also been impacted by State and County imposed limitations. Although it is crucial for the City to take corrective actions immediately, the limitations provide a barrier to quick action. As such, alternative sources of recurring revenues should be investigated in the near future. A long-term approach to developing a balance between revenue increases and expenditure reductions should be developed and implemented over the next several years.

RECOMMENDATION – CITY EMPLOYEES I: CONTAIN PERSONNEL COSTS BY EXPLORING CITY DEPARTMENTS FOR INTERNAL (STAFF) RESTRUCTURING OPPORTUNITIES

Like most municipal entities, employee related expenses (wages and benefits) represent a major annual expense that will escalate on an annual basis. In fact, according to the Office of the State Comptroller, such expenses account for approximately 57% of a municipal entities budget on average. Thus, even a small reduction can amount to significant long-term savings. As such, the City should maintain a proactive approach in managing these costs.

Analyzing City departments on a continual basis to ensure that tasks are properly delegated can quickly impact employee productivity and efficiency. Subsequently, enhancing efficiency levels will assist the City in its ability to reduce certain costs, such as overtime. This is important since overtime costs can rapidly and significantly increase personal service and pension costs.

Furthermore, a strategic and proactive approach to containing employee related expenses will lessen the future risk of workforce reductions. Thus, to ensure the workforce identifies with the City's cause, maintaining transparency among employees and the administration will be crucial. Workforce involvement in reducing the deficit will allow the City to continue to supply essential services to residents and also to provide sensible salaries and benefits to its staff.

RECOMMENDATION – ECONOMIC AND DEMOGRAPHIC PROFILE I:

CONTINUE PARTNERSHIPS WITH VASSAR BROTHERS MEDICAL CENTER

The City should continue to develop strategic local economic development partnerships with VBMC. Although the direct positive fiscal impact of VBMC is yet to be determined, the City should benefit from additional annual revenue generated through locally negotiated PILOT agreements. In addition, area residents will benefit from new employment opportunities and the expansion may foster other forms of economic development.

RECOMMENDATION – TAX BASE 1:
DEVELOP AND ADOPT A LOCAL TAX BASE IMPROVEMENT POLICY

The City should develop and adopt a local tax base improvement policy. Tax base attrition is not an uncommon concern to municipal entities. This matter, however, can be addressed through the creation of a strong community and economic development strategy. In order to expand the tax base, the tax base improvement policy should encourage, promote, and assist industrial, commercial, and residential development.

RECOMMENDATION – TAX BASE 2: **REVIEW AND ADOPT A ZONING PLAN**

State laws provide municipal jurisdictions with the authority to craft and revise a zoning plan. The plan forms the general structure for zoning matters. Although not required, the Office of the State Comptroller encourages zoning planning. The City has not evaluated its zoning in several years.

Since land use needs will undoubtedly vary from entity to entity, several freedoms are afforded by the State so that a plan may be unique to a jurisdictions specific needs. External professionals are often employed to assist with the development of such a plan. In addition, public participation and comment ensures that residents both understand the need for a plan and that their requests can be incorporated.

RECOMMENDATION – DEBT 1: **THE CITY SHOULD DRAFT AND ADOPT FORMAL DEBT MANAGEMENT POLICIES**

The City should work to strategically develop and adopt formal debt management policies to make certain that its outstanding level of debt is held at a manageable level.

Best practices standards that could be incorporated into a debt management policy and utilized to analyze future debt obligations include:

- *Annual Debt Service Costs As A Percentage Of Operating Revenues*
- *Outstanding Debt Per Capita*
- *The Average Maturity Of The Debt*
- *Total Debt As A Percentage Of Assessed Market Value*
- *Annual Debt Service As A Percentage Of The General Fund Budget*
- *The Net Present Value Savings Generated (For Refunding Transactions)*

RECOMMENDATION – DEBT 2:
REDUCE DEBT AUTHORIZATIONS

Since a number of the City’s authorized bond resolutions are not anticipated to be utilized, the City should work with their Bond Counsel in order to reduce the total amount of outstanding authorizations.

RECOMMENDATION – DEBT 3: **DEVELOP A STRATEGIC APPROACH TO RESTORE THE CITY’S INVESTMENT GRADE RATING.**

With a rating of “Ba1” (with a negative outlook) the City’s credit rating is considered to be speculative, or below investment grade. The rating will have a significant impact on the City’s

ability to access the capital markets, the issuance costs associated with a debt sale, and the interest rates that are obtained. As such, the rating is detrimental to the fiscal health of the City. As such, the City should immediately develop a strategic plan aimed at restoring an above investment grade rating. It may be necessary to engage an external professional for assistance in this matter.

RECOMMENDATION – DEBT 4:
INVESTIGATE THE ISSUANCE OF DEFICIT FINANCING.

To quickly address the current General Fund position, the City could investigate deficit financing. However, the issuance of deficit financing is complex and carries with it a number of considerations and requires special State legislation. The City should carefully investigate this with its Financial Advisor and with other local municipal entities that have issued this type of debt.

The issuance of deficit financing will assist in alleviating liquidity concerns, but the post issuance management of City finances will be crucial. If the City was to investigate deficit financing, the development of sound fiscal practices to ensure stability in the annual budget is something that should be concurrently considered. Regardless of deficit financing, if the budget is not stabilized, a deficit position will again develop in future years.

RECOMMENDATION – DEBT 5: CONDUCT AN ASSESSMENT OF CITY OWNED BUILDINGS TO DETERMINE CAPITAL NEEDS

Major maintenance projects at City Hall have been deferred for many years, resulting in serious structural, electrical, HVAC, and interior deficiencies. Buildings in disrepair present a safety hazard for the City and its employees, as well as potential legal liability, and should be addressed as soon as possible. A condition assessment should be completed by the City to determine the costs associated with repairs. The assessment should prioritize projects that need attention so that the most serious problems can be addressed first.

SECTION III RECOMMENDATIONS

RECOMMENDATION – POLICE 1:
DETERMINE APPROPRIATE POLICE STAFFING REQUIREMENTS

In conjunction with the City Administrator and Department of Finance, the Police Department should determine the optimal number of police employees (including civilian positions) based on cities that are comparable in size to the City.

In addition, the department should consider instituting a system of performance measures in connection with the primary functions of civilian positions. The establishment of such measures would help to ensure the work demands of these positions are both understood and reviewed regularly. Continual review of primary civilian functions may assist in determining whether there are technological advances which could improve the Police Departments administrative processes with fewer personnel having to be assigned.

Benefit: Determining an appropriate level of staffing in the Police Department has the potential to reduce costs, improved efficiency levels, and will foster interdepartmental cooperation.

RECOMMENDATION – POLICE 2:
CONTINUE EFFORTS TO CONTROL OVERTIME

Given the current fiscal condition of the City, the Police Department should continue its efforts to strategically manage its resources and reduce overtime.

If the City is not able to return to a position of fiscal stability in the near future, the Police Department will likely be one of the first departments impacted. In general, severe budgetary limitations result in administrative pressure to reduce expenditures. However, since personnel costs and employee benefits represent the largest annual expenditure of the Police Department, such pressures may come in the form of staffing reductions or further reductions to overtime. The Police Department should make preparations for discussions with employees should a choice need to be made.

RECOMMENDATION – POLICE 3:
REDUCTION OF VIOLENT CRIME RATES

If the City could reduce violent crime rates to levels that more closely approached those of other Mid-Hudson cities, residents and businesses may feel more confident that the City is a safe place to live, work, and raise a family.

RECOMMENDATION – POLICE 4:
EXPLORE THE CONSOLIDATION OF THE E911 SYSTEM

A local government's primary responsibility is to deliver services for the benefit and well-being of its residents. Ensuring the safety of residents, business owners, and visitors certainly falls into this category. However, there presently exists an overlap between the City and the County's 911 systems. With upgrades to the County's system, the City should re-examine the potential for consolidation.

If the City is to address the current deficit position of the General Fund, it will first need to develop a structurally sound budget. Maximizing available savings from pursuing and implementing shared services with neighboring governmental partners is an excellent way to reduce costs and assist with restoring fiscal stability. An effective shared service plan will not only ensure that services are not being duplicated, but should also be advantageous to all parties involved.

In addition to the 911 system, the City should continue to work with its governmental neighbors to explore other shared service opportunities.

RECOMMENDATION – RECORDS 1:
SEEK OUT RECORDS MANAGEMENT GRANTS

In conjunction with the City Administrator and Department of Finance, the Records Department should seek out and apply for records management grants offered through the State. Grants may provide funding for technology upgrades, equipment upgrades, and for training purposes.

The New York State Local Government Records Management Improvement Fund is a grant program which can provide funding to assist local governments with the establishment or improvement of a records management program. Although a competitive grant, awards are based

on the merits of the completed application. As of the date of this report, applications are being accepted in connection with the 2015-16 grants.

RECOMMENDATION – RECORDS 2: DEVELOP, IMPLEMENT, AND ADHERE TO DEPARTMENTAL POLICIES AND BEST PRACTICES

The Department of Records would benefit from the development of a series of best practices with respect to the oversight of City records. The New York State Archives could be a valuable tool in this process. Through 9 regional offices, the State Archives will provide advisory services on any matter relating to records management. In addition, upon request, the State Archives will provide customized training and additional resources to a municipal entity. Requests for services may be made to: archtrain@nysed.gov.

Benefit: Given the sensitive nature of documents handled by the Records Department, ensuring proper procedures are followed is vital to the City.

RECOMMENDATION – RECORDS 3: INVESTIGATE OPPORTUNITIES FOR SHARED SERVICE AGREEMENTS WITH OTHER REGIONAL GOVERNMENTS

Local governments are increasingly investigating opportunities to engage in regional partnerships as a means to reduce costs and increase efficiency. As a regional focal point for the County, the City should explore opportunities with area governments, including the County, as it relates to the management and storage of records.

RECOMMENDATION – LAW 1: REVIEW ALL INSURANCE CONTRACTS

It is not unusual for claims to increase during tough economic times. As such, over the past several years, claims against the City have risen. Negative findings could have a material impact on the City's fiscal position. Although the City maintains various insurance policies as a safeguard against negative findings, the City should review all outstanding policies to ensure that coverage levels are adequate and appropriate to meet the City's needs. In addition, the City should conduct an assessment of insurance costs to determine if the City's premiums are inline with general market rates.

In addition, the City should explore shared service agreements with neighboring governments as it relates to insurance. Insurance premiums can be costly on their own, but this cost may be mitigated through partnerships with other municipal entities.

RECOMMENDATION – LAW 2: REVIEW THE STRUCTURE OF CITY FINES

In collaboration with other City Departments, the Law Department should conduct a comprehensive review of the City's structure of fines. As necessary, revisions should be made to charges that are determined to be insufficient. Increasing fines would have a positive impact on future revenues.

RECOMMENDATION – ASSESSMENT 1: BETTER UTILIZATION OF ASSESSMENT SERVICES PROVIDED BY THE DUTCHESS COUNTY REAL PROPERTY TAX SERVICE AGENCY

The Department of Assessment should conduct an evaluation of services provided by the Dutchess County Real Property Tax Service Agency County and the County Department of Finance to determine if any internal functions can be delegated to the County for assistance. The delegation of certain functions would enable the Commissioner of Assessment to better direct attention to matters that require local attention.

RECOMMENDATION – ASSESSMENT 2: EXPLORATION OF SHARED SERVICE OPPORTUNITIES AS IT RELATES TO ASSESSMENT FUNCTIONS

In addition to better utilization of County provided assessment services, the City should also investigate shared service opportunities with other area governments. Considering the vast number of assessing units across the State and County, opportunities may be present that could reduce the overall workload of the Department of Assessment.

RECOMMENDATION – ASSESSMENT 3: LAND BANK ANALYSIS

Land banking is a proven strategy that has been utilized on both a state and national level to address vacant and abandoned properties. The Department of Assessment has indicated that blight has been a particularly challenging issue for the City. As such, the City should conduct an analysis to determine if the creation of a land bank would assist in contending with this problem. In view of the fact that multiple entities can unite to apply for a single land bank, the City should consult with other local governmental agencies. A joint application may require less resources from the City.

RECOMMENDATION – FINANCE 1: PREPARE MONTHLY FISCAL REPORTS AS REQUIRED BY THE CITY CHARTER.

In accordance to the City Charter, the Department of Finance should provide monthly fiscal reports to the Mayor and City Administrator for presentation to the Council. Although this practice has not been adhered to, it would positively impact the City by enhancing awareness of current financial matters. Maintaining an understanding of current matters will play a critical role in the City's ability to forecast and prevent future shortfalls. In addition, filing the reports as public record will improve the City's financial accountability. Financial accountability promotes the practice of openly reporting on operations in order to ensure that resources are appropriately matched to taxpayer needs. Transparency in this process is crucial.

RECOMMENDATION – FINANCE 2: DEVELOP A SERIES OF BEST BUDGETARY PRACTICES THAT WILL PROMOTE INTERDEPARTMENTAL COMMUNICATION & EDUCATION

In recognition of previous years of poor interdepartmental communication, the City should incorporate a series of best practices relating to the development and implementation of the operational budget. These practices should promote interdepartmental communication and education, which could alleviate tension and foster the cooperation of key staff members.

RECOMMENDATION – FINANCE 3: DEVELOP & REGULARLY UPDATE A MULTIYEAR FINANCIAL PLAN

According to OSC, multiyear financial planning can be an effective tool for forecasting and combating fiscal crisis. The City would benefit from the development of a multiyear plan. Due to its scope, the Department of Finance would be responsible for development and maintenance of the plan. In order to reflect changes in the local economy, the plan should be updated at least annually. It is not uncommon for local governments to make revisions at various points throughout the fiscal year.

According to OSC, the general components of a multiyear plan include:

- *Timeframe:*
 - *Approximately 3 to 4 years of historic information*
 - *Estimated data for the current year*
 - *Approximately 4 (or more) years of projections*
- *Elements:*
 - *Revenue Trends & Forecasts*
 - *Expenditure Trends & Forecasts*
 - *Surplus/Deficit Trends & Forecasts*
 - *Analysis of Year End Reserves*

RECOMMENDATION – FINANCE 4: PURSUE TRAINING ON FINANCIAL SOFTWARE AND DEVELOP BEST PRACTICES

The City remains highly dependent on financial software for both planning and reporting purposes. As such, technology should be considered an important factor in the establishment of structurally sound fiscal operations. Training key staff members in the functionalities of software is equally as critical. At present, a disparity exists between the Department of Finance’s software capabilities and its’ training. As such, the department supplements with techniques that are antiquated and labor-intensive. Dutchess County has knowledge of the City’s financial software and has been proactive in recent years through providing technology support and training to area governments. The City should investigate County offered training opportunities, which will gradually financial operations and management.

Although initial training sessions will be necessary, they should not be a solitary event. In fact, it will be advantageous to supply employees with ongoing training. Also, as new employees join the City, it will be vital to ensure they receive an appropriate level of training. Therefore, the City should develop a series of policies and best practices relating to technology education.

RECOMMENDATION – FINANCE 5: REVIEW OPERATIONAL FUNCTIONS AFTER LEVERAGING TECHNOLOGY

Leveraging the City’s technology will have a positive impact on the Department of Finance and should enhance employee productivity levels and morale. Once training is complete, the Department of Finance should conduct a comprehensive review of its operational functions to ensure that staff members and tasks are properly aligned. The development and implementation of workforce strategies in the finance department should result in cost savings and allow staff to collect revenues in a more efficient manner. Accordingly, this will positively impact the City’s ability to develop realistic and effective operating budgets.

RECOMMENDATION – BUILDING 1:
SEEK OUT RECORDS MANAGEMENT GRANTS

In conjunction with the City Administrator, the Department of Finance, and the Department of Records, the Building Division should investigate grant funding opportunities relating to records management. Key staff members in the division have indicated that hardcopies of documents are kept on file and that inefficiency exist in this process. State grants may provide funding for technology upgrades, equipment upgrades, and for training purposes. Since a similar recommendation was made to the Department of Records, the Building Division should work closely with them relating to a grant application.

RECOMMENDATION – BUILDING 2:
ASSIST WITH LAND BANK ANALYSIS

Vacant properties can result in a number of financial drawbacks in addition to various other types of physical dangers. The City has been plagued by this problem in recent years. As such, a recommendation was included in this plan relating to an investigation into the development of a land bank. The Building Division will be a crucial component of this analysis and thus should work in unison with other City Departments on its creation.

RECOMMENDATION – BUILDING 3: **TARGETED MARKETING CAMPAIGN RELATING TO COMMUNITY DEVELOPMENT INCENTIVE FUNDS**

The incentives awarded to individuals and private businesses through the Community Development subdivision have the potential to spur the local economy. As such, a targeted marketing campaign highlighting available programs would be beneficial to the subdivision, the City, and ultimately the entities selected for funding.

RECOMMENDATION – BUILDING 4:
ASSIST WITH DEVELOPMENT OF A LAND USE AND ZONING PLAN

A recommendation was included as a part of this plan with respect to the development of a zoning plan. The Planning Division will be pivotal in this process and should work closely with administrative.

RECOMMENDATION – FIRE 1:
CONDUCT ANALYSIS FOCUSING ON STAFFING LEVELS, OVERTIME, AND SCHEDULING

In conjunction with the City Administrator and Department of Finance, the Fire Department should conduct an analysis to determine if staffing levels are adequate, an appropriate level of overtime, and optimal scheduling practices. The analysis should draw on data from similar sized cities to form a base for comparison purposes.

Labor related expenses constitute a significant portion of the City's annual operating budget. As such, developing a proactive approach to these costs should be the focus of all City departments. Adopting a series of labor related best practices and policies would be an effective method of clarifying expectations to employees and stakeholders alike.

RECOMMENDATION – FIRE 2:
CONDUCT CAPITAL NEEDS ASSESSMENT

It would be advantageous for the Fire Department to work with the Department of Finance and City Administrator in developing a long-term plan focusing on capital requirements. The plan should be continually reviewed and updated as necessary. Preserving City fire houses and related fire equipment is vital to the safety of firefighters and also City residents. A long-term capital plan would assist in the City's ability to develop financing strategies and also to ensure that equipment is both properly maintained and functioning appropriately.

RECOMMENDATION – DPW 1:
CONDUCT A COMPREHENSIVE REVIEW OF OPERATIONAL FUNCTIONS AND EMPLOYEE DUTIES

In cooperation with the City Administrator and Corporation Counsel, the DPW should conduct an analysis to determine if restructuring or reclassifying certain duties would alleviate day-to-day coverage obstacles.

RECOMMENDATION – DPW 2:
SCHEDULED MEETINGS WITH DIVISIONS / SUBDIVISIONS

Given the vast responsibilities of the DPW, the Department would benefit from better collaboration between its divisions/subdivisions. As such, the creation of a committee of individuals representing each unit would assist in identifying key DPW topics. Meetings should be held on a set schedule.

RECOMMENDATION – DPW3: CONDUCT VEHICLE INVENTORY / CONDITION ASSESSMENT AND EVALUATE TECHNOLOGY

Access to inventory, records, and vehicle condition data would be a valuable management tool and would enhance efficiency levels in the DPW. Increased efficiency levels would have an immediate impact on the finances of the City through cost reductions. In addition, the data would assist management in its ability to make informed decisions relating to the purchase of extended warranties and the repair or replacement of certain vehicles. As part of this process, the DPW should evaluate its technology to determine its adequacy in recording, monitoring, and reporting on vehicle related assets.

RECOMMENDATION – DPW 4: DEVELOP FORMAL WRITTEN POLICIES AND BEST PRACTICES RELATING TO THE MAINTENANCE AND REPAIR OF CITY OWNED VEHICLES.

In connection with the City Administrator, the DPW should develop a series of formal, written policies and best practices relating to the maintenance and repair of City owned vehicles. The implementation of such policies would enhance the City's control over its fleet and ensuring preventive maintenance is would assist in circumventing costly repairs.

RECOMMENDATION – DPW 5:
RE-ASSESS A CONSOLIDATION OF THE BUS SYSTEM WITH THE COUNTY

If the City is to address the current deficit position of the General Fund, it should review all current services to ensure they are being offered to residents in the most cost effective manner.

Maximizing available savings from pursuing and implementing shared services with neighboring governmental partners is an excellent way to reduce costs and to ensure that residents maintain access to certain services. As such, the City should re-examine the 2013 bus consolidation study that was completed by the County.

RECOMMENDATION – DPW 6:

ASSIST WITH THE DEVELOPMENT OF A SUSTAINABLE CAPITAL IMPROVEMENT PLAN

Given the rapidly aging infrastructure of the City, the DPW should work with the City Administrator and the Department of Finance to construct a detailed and sustainable capital improvement plan. The role of the DPW will predominantly focus on the identification and prioritization of projects.

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SECTION V
SUPPLEMENTAL INFORMATION & DOCUMENTS

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**UNAUDITED SUMMARY OF
FINANCIAL STATEMENTS AND BUDGET**

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CITY OF POUGHKEEPSIE
GENERAL FUND
BALANCE SHEET
UNAUDITED PRESENTATION

AS OF DECEMBER 31:

	2010
ASSETS	
Cash and Equivalents	\$ 0
Restricted Investments	55,000
Investments	3,770,801
Receivables:	
Taxes (Net)	6,628,745
Other	320,819
Due From Related Party	52,139
Due From Other Funds	6,184,248
Due From Other Governments	1,646,941
State and Federal Receivable	307,641
Prepaid Expenses	83,257
TOTAL ASSETS	\$ 19,049,591
LIABILITIES AND FUND EQUITY	
Liabilities:	
Accounts Payable and	
Accrued Liabilities	\$ 3,783,190
Due To Other Funds	9,837,134
Due To Other Governments	6,224,378
Deferred Revenues	4,722,775
Other Liabilities	4,885
Total Liabilities	24,572,362
Fund Equity:	
Fund Balance:	
Reserved For:	
Encumbrances	51,309
Insurance	0
Snow and Ice Removal/Road Repair	0
Other	0
Unreserved:	
Designated For:	
Subsequent Years' Expenditures	0
Self-Insurance	1,500,000
Undesignated	(7,074,080)
Total Fund Equity	(5,522,771)
TOTAL LIABILITIES AND FUND EQUITY	\$ 19,049,591

The financial data presented on this page has been excerpted from the audited financial statements of the City. Such presentation however has not been audited.

**CITY OF POUGHKEEPSIE
GENERAL FUND
BALANCE SHEET
UNAUDITED PRESENTATION**

AS OF DECEMBER 31:

	2011	2012	2013	2014
ASSETS				
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -
Investments	1,710,318	710,318	710,318	12,899
Restricted Cash	55,000	55,000	55,000	30,000
Accounts Receivables	7,066,486	7,212,800	8,431,761	9,118,179
Mortgage loans receivable	0	295,598	0	0
Due From Other Funds	8,070,299	6,586,773	6,195,660	2,710,214
Due from related party	329,590	0	0	1,596,602
Due From Other Governments	1,919,430	3,421,895	2,284,646	486,147
State and Federal Aid Receivable	154,458	174,655	166,967	123,512
Prepaid Expenses	16,180	58,373	50,392	100,101
	<u>\$ 19,321,761</u>	<u>\$ 18,515,412</u>	<u>\$ 17,894,744</u>	<u>\$ 14,177,654</u>
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts Payable and	2,530,796	2,575,467	3,377,046	3,299,371
Accrued Liabilities	2,893,189	3,429,725	3,395,868	3,568,609
Retainage Payable	0	0	0	0
BANs Payable	0	0	0	0
Due To Related Party	0	0	0	0
Due To Other Funds	12,268,234	12,198,586	13,375,349	9,133,259
Due To Other Governments	6,290,706	7,044,548	3,392,916	3,582,918
Deferred Revenues	4,811,164	5,293,392	5,554,099	0
Other Liabilities	4,347	8,054	20,025	7,367
	<u>28,798,436</u>	<u>30,549,771</u>	<u>29,115,302</u>	<u>19,591,523</u>
DEFERRED INFLOWS OF RESOURCES				
	<u>0</u>	<u>0</u>	<u>0</u>	<u>5,700,430</u>
Fund Equity:				
Nonspendable	0	0	0	100,101
Restricted	209,001	59,496	0	500,000
Committed	0	0	0	65,043
Assigned	1,500,000	1,500,000	1,683,302	-
Unassigned	(11,185,676)	(13,593,856)	(12,903,861)	(11,779,444)
	<u>(9,476,675)</u>	<u>(12,034,360)</u>	<u>(11,220,559)</u>	<u>(11,114,300)</u>
Total Liabilities, Deferred Inflows of Resources and Fund Equity	<u>\$ 19,321,761</u>	<u>\$ 18,515,412</u>	<u>\$ 17,894,744</u>	<u>\$ 14,177,654</u>

Beginning with the fiscal year ending December 31, 2011, GASB Statement # 54 required a new categorization of Fund Equity.

Please see prior page for 2010 balance sheet.

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**CITY OF POUGHKEEPSIE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
UNAUDITED PRESENTATION**

YEARS ENDED DECEMBER 31:

	2010	2011	2012	2013	2014
REVENUES:					
Real Property Taxes	\$ 16,653,807	\$ 16,662,878	\$ 16,937,054	\$ 17,344,520	\$ 18,313,855
Real Property Tax Items	731,369	946,157	890,627	929,455	914,787
Non-Property Tax Items	11,763,087	12,455,109	12,487,504	11,091,393	10,618,825
Departmental Income	2,140,528	2,113,268	2,611,694	2,901,965	3,117,478
Intergovernmental Charges	178,368	172,051	83,397	89,664	91,286
Use Of Money And Property	174,633	189,934	2,020	(23,070)	11,365
Licenses and Permits	329,067	634,344	588,817	627,421	484,761
Fines and Forfeitures	1,075,841	942,390	952,847	885,330	966,804
Sale Of Property And Compensation For Loss	397,227	459,342	811,008	2,024,968	351,271
Miscellaneous	241,984	215,071	198,769	175,261	327,949
Interfund Revenues	961,795	1,079,198	1,018,264	1,236,122	1,369,822
State Aid	4,941,823	4,973,971	5,517,093	5,105,006	5,140,742
Federal Aid	0	0	1,177	0	0
Total Revenues	39,589,529	40,843,713	42,100,271	42,388,035	41,708,945
EXPENDITURES:					
General Government Support	5,820,497	6,132,693	5,614,562	5,863,567	6,146,511
Public Safety	18,631,758	18,898,498	18,639,028	18,010,635	17,912,617
Health	49,528	51,396	165,166	173,501	52,064
Transportation	2,563,405	2,761,085	2,617,583	2,676,119	3,018,442
Economic Assistance And Opportunity	248,350	253,674	89,082	300	0
Culture And Recreation	678,425	626,646	559,687	491,558	533,196
Home And Community Services	2,444,170	2,330,875	2,021,984	367,691	302,242
Employee Benefits	8,569,921	9,399,904	10,103,364	10,026,800	10,435,232
Total Expenditures	39,006,054	40,454,771	39,810,456	37,610,171	38,400,304
Excess of Revenues Over Expenditures	583,475	388,942	2,289,815	4,777,864	3,308,641
OTHER FINANCING SOURCES (USES):					
Operating Transfers - In	648,998	610,817	575,000	960,871	1,912,832
Operating Transfers - Out (a)	(5,446,296)	(5,512,894)	(5,422,500)	(4,924,934)	(5,115,214)
Total Other Financing Sources (Uses)	(4,797,298)	(4,902,077)	(4,847,500)	(3,964,063)	(3,202,382)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(4,213,823)	(4,513,135)	(2,557,685)	813,801	106,259
Fund Equity - Beginning of Year	(1,532,022)	(5,522,771)	(9,476,675)	(12,034,360)	(11,220,559)
Residual Equity Transfer	657,741	0	0	0	0
Adjustments	(434,667)	559,231			
Fund Equity - Beginning of Year Restated	(1,308,948)	(4,963,540)	(9,476,675)	(12,034,360)	(11,220,559)
FUND EQUITY - END OF YEAR	\$ (5,522,771)	\$ (9,476,675)	\$ (12,034,360)	\$ (11,220,559)	\$ (11,114,300)

(a) Includes transfers to the Debt Service Fund.

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CITY OF POUGHKEEPSIE
SPECIAL GRANT FUND
(COMMUNITY DEVELOPMENT)
BALANCE SHEET
UNAUDITED PRESENTATION

AS OF DECEMBER 31

	2010
ASSETS	
Cash and Equivalents	\$ 5,823,754
Investments	459,785
Receivables:	
Accounts	0
Other	16,934
Accrued Interest	
State and Federal Receivable	150,692
Mortgage Loans Receivable	563,388
Due From Other Funds	871,634
Due From Related Party	445,251
Due From Other Governments	4,446
Prepaid Expenses	9,996
 TOTAL ASSETS	 \$ 8,345,880
LIABILITIES AND EQUITY	
Liabilities:	
Accounts Payable and Accrued Liabilities	\$ 243,389
Retainage Payable	10,059
Due To Other Funds	196,896
Due To Other Governments	0
Other Liabilities	16,950
Deferred Revenues	563,388
 Total Liabilities	 1,030,682
Equity:	
Fund Balance:	
Reserved For:	
Encumbrances	280,335
Unreserved:	
Undesignated	7,034,863
 Total Fund Equity	 7,315,198
 TOTAL LIABILITIES AND FUND EQUITY	 \$ 8,345,880

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CITY OF POUGHKEEPSIE
SPECIAL GRANT FUND
BALANCE SHEET
UNAUDITED PRESENTATION

AS OF DECEMBER 31:

	2011	2012	2013	2014
ASSETS				
Cash and Cash Equivalents	\$ 4,764,032	\$ 4,094,667	\$ 3,790,101	\$ 3,844,690
Investments	459,785	459,785	433,950	0
Restricted Cash	0	0	0	0
Accounts Receivables	14,253	20,386	31,558	24,327
Mortgage loans receivable	570,113	528,035	653,224	618,295
Due From Other Funds	835,347	835,347	835,347	835,902
Due from related party	445,251	445,251	445,251	445,251
Due From Other Governments	0	0	0	0
State and Federal Aid Receivable	648,793	64,960	552,474	716,763
Prepaid Expenses	15,387	9,322	8,651	2,952
	<u>\$ 7,752,961</u>	<u>\$ 6,457,753</u>	<u>\$ 6,750,556</u>	<u>\$ 6,488,180</u>
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts Payable and	260,725	84,238	291,294	244,817
Accrued Liabilities	40,275	57,399	45,021	48,407
Retainage Payable	6,807	6,807	10,555	0
BANs Payable	0	0	0	0
Due To Related Party	0	0	0	0
Due To Other Funds	19,711	71,497	3,004	80,364
Due To Other Governments	18,332	0	0	15,409
Deferred Revenues	570,114	528,036	653,225	0
Other Liabilities	3,111	3,370	11,156	23,742
	<u>919,075</u>	<u>751,346</u>	<u>1,014,255</u>	<u>412,739</u>
DEFERRED INFLOWS				
OF RESOURCES	<u>0</u>	<u>0</u>	<u>0</u>	<u>618,296</u>
Fund Equity:				
Nonspendable	0	0	0	2,952
Restricted	853,940	574,161	-	-
Committed	-	-	-	912,645
Assigned	-	-	5,736,301	4,541,548
Unassigned	5,979,946	5,132,246	-	-
	<u>6,833,886</u>	<u>5,706,407</u>	<u>5,736,301</u>	<u>5,457,145</u>
Total Liabilities, Deferred Inflows				
of Resources and Fund Equity	<u>\$ 7,752,961</u>	<u>\$ 6,457,753</u>	<u>\$ 6,750,556</u>	<u>\$ 6,488,180</u>

Beginning with the fiscal year ending December 31, 2011, GASB Statement # 54 required a new categorization of Fund Equity.

Please see prior page for 2010 balance sheet.

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CITY OF POUGHKEEPSIE
SPECIAL GRANT FUND
(COMMUNITY DEVELOPMENT)
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
UNAUDITED PRESENTATION

YEARS ENDED DECEMBER 31:

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
REVENUES:					
Departmental Income	\$ 37,276	\$ 46,626	\$ 42,488	\$ 24,836	\$ 34,929
Use Of Money And Property	2,519	1,944	2,895	1,827	2,141
Miscellaneous	53,237	0	9,622	0	0
State Aid	81,385	1,883	0	0	0
Federal Aid	<u>6,831,488</u>	<u>6,679,543</u>	<u>5,628,700</u>	<u>6,612,851</u>	<u>5,161,086</u>
Total Revenues	<u>7,005,905</u>	<u>6,729,996</u>	<u>5,683,705</u>	<u>6,639,514</u>	<u>5,198,156</u>
EXPENDITURES:					
Current:					
General Government Support	77,398	26,022	22,750	23,107	27,757
Economic Assistance And Opportunity	0	0	0	0	0
Home And Community Services	6,378,254	6,953,474	6,585,881	6,394,370	5,296,189
Employee Benefits	<u>135,439</u>	<u>158,495</u>	<u>177,554</u>	<u>166,309</u>	<u>153,366</u>
Total Expenditures	<u>6,591,091</u>	<u>7,137,991</u>	<u>6,786,185</u>	<u>6,583,786</u>	<u>5,477,312</u>
Excess of Revenues Over Expenditures	<u>414,814</u>	<u>(407,995)</u>	<u>(1,102,480)</u>	<u>55,728</u>	<u>(279,156)</u>
OTHER FINANCING SOURCES (USES):					
Operating Transfers - Out	<u>(132,000)</u>	<u>(73,317)</u>	<u>(25,000)</u>	<u>(25,835)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>(132,000)</u>	<u>(73,317)</u>	<u>(25,000)</u>	<u>(25,835)</u>	<u>0</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	<u>282,814</u>	<u>(481,312)</u>	<u>(1,127,480)</u>	<u>29,893</u>	<u>(279,156)</u>
Fund Equity - Beginning of Year	7,032,384	7,315,198	6,833,886	5,706,407	5,736,300
Adjustments	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Equity - Beginning of Year Restated	<u>7,032,384</u>	<u>7,315,198</u>	<u>6,833,886</u>	<u>5,706,407</u>	<u>5,736,300</u>
FUND EQUITY - END OF YEAR	<u>\$ 7,315,198</u>	<u>\$ 6,833,886</u>	<u>\$ 5,706,407</u>	<u>\$ 5,736,300</u>	<u>\$ 5,457,144</u>

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**CITY OF POUGHKEEPSIE
WATER FUND
STATEMENT OF NET ASSETS
UNAUDITED PRESENTATION**

Proprietary Fund	
<u>AS OF DECEMBER 31:</u>	
<u>2010</u>	
ASSETS	
Current Assets:	
Cash:	\$ 206,210
Investments	0
Receivables:	
Charges for Services	1,243,794
Other	49,206
Internal Balances	(1,531,718)
Due From Related Party	25,760
Due From Other Governments	0
Prepaid Expenses	1,450
Total Current Assets	<u>(5,298)</u>
Non-Current Assets:	
Due From Related Party	0
Investment In Joint Water Project	9,711,415
Total Non-Current Assets	<u>9,711,415</u>
Capital Assets:	
Improvement, Net Of Depreciation	30,282,373
Machinery And Equipment, Net Of Depreciation	25,468
Construction In Progress	283,657
Total Capital Assets	<u>30,591,498</u>
TOTAL ASSETS	\$ <u>40,297,615</u>
LIABILITIES AND NET ASSETS	
LIABILITIES	
Current Liabilities:	
Accounts Payable and Accrued Liabilities	\$ 151,133
Due To Other Funds	0
Other Liabilities	2,291
Due to Related Party	0
Notes Payable	63,000
Current Portion Of Bonds Payable	731,451
Total Current Liabilities	<u>947,875</u>
Noncurrent Liabilities:	
Compensated Absence Liability	69,372
Bonds Payable	8,373,154
Total Noncurrent Liabilities	<u>8,442,526</u>
Total Liabilities	<u>9,390,401</u>
NET ASSETS	
Invested In Capital Assets, Net Of Related Debt	31,135,308
Unrestricted:	
Designated For:	
Unrestricted (Deficit)	<u>(228,094)</u>
Total Net Assests	<u>30,907,214</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>40,297,615</u>

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**CITY OF POUGHKEEPSIE
WATER FUND
STATEMENT OF NET ASSETS
UNAUDITED PRESENTATION**

Proprietary Fund
AS OF DECEMBER 31:

	2011	2012	2013	2014
ASSETS				
Current Assets:				
Cash:	\$ 0	\$ 362,224	\$ 0	\$ 0
Investments	0	0	0	0
Receivables:	0	0	0	0
Charges for Services	1,305,258	1,240,986	1,317,182	1,755,552
Other	20,490	60,215	118,318	92,046
Internal Balances	(1,533,040)	(544,342)	1,139,080	265,994
Due From Related Party	0	0	0	0
Due From Other Governments	0	0	0	0
Prepaid Expenses	(1,925)	0	2,931	7,647
Total Current Assets	<u>(209,217)</u>	<u>1,119,083</u>	<u>2,577,511</u>	<u>2,121,239</u>
Non-Current Assets:				
Due From Related Party	0	0	0	0
Investment In Joint Water Project	9,711,415	9,711,415	10,008,200	10,552,085
Total Non-Current Assets	<u>9,711,415</u>	<u>9,711,415</u>	<u>10,008,200</u>	<u>10,552,085</u>
Capital Assets:				
Improvement, Net Of Depreciation	29,182,243	28,379,086	30,810,219	26,132,926
Machinery And Equipment, Net Of Depreciation	18,252	11,036	17,917	13,208
Construction In Progress	326,829	0	0	4,732,194
Total Capital Assets	<u>29,527,324</u>	<u>28,390,122</u>	<u>30,828,136</u>	<u>30,878,328</u>
TOTAL ASSETS	\$ <u>39,029,522</u>	\$ <u>39,220,620</u>	\$ <u>43,413,847</u>	\$ <u>43,551,652</u>
LIABILITIES AND NET ASSETS				
LIABILITIES				
Current Liabilities:				
Accounts Payable	\$ 22,447	\$ 10,266	\$ 36,604	\$ 27,613
Accrued Liabilities	142,692	154,253	188,135	177,348
Due To Other Funds	0	0	0	0
Other Liabilities	4,327	4,961	1,033	0
Due to Related Party	0	1,264,475	145,312	1,673,042
Notes Payable	0	0	5,630,656	5,510,656
Current Portion Of Bonds Payable	619,716	676,314	692,395	697,097
Total Current Liabilities	<u>789,182</u>	<u>2,110,269</u>	<u>6,694,135</u>	<u>8,085,756</u>
Noncurrent Liabilities:				
Compensated Absence Liability	211,353	215,931	232,206	235,373
Bonds Payable	7,790,310	7,422,946	6,730,551	5,588,454
Total Noncurrent Liabilities	<u>8,001,663</u>	<u>7,638,877</u>	<u>6,962,757</u>	<u>5,823,827</u>
Total Liabilities	<u>8,790,845</u>	<u>9,749,146</u>	<u>13,656,892</u>	<u>13,909,583</u>
NET ASSETS				
Invested In Capital Assets, Net Of Related Debt	30,828,713	30,002,277	33,413,390	35,144,862
Unrestricted:				
Designated For:	0	0	0	0
Unrestricted (Deficit)	(590,036)	(530,803)	(3,656,435)	(5,502,793)
Total Net Assests	<u>30,238,677</u>	<u>29,471,474</u>	<u>29,756,955</u>	<u>29,642,069</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>39,029,522</u>	\$ <u>39,220,620</u>	\$ <u>43,413,847</u>	\$ <u>43,551,652</u>

(2) Beginning with the fiscal year ending December 31, 2011, GASB Statement # 54 required a new categorization of Fund Equity.

Please see prior page for 2009-2010 balance sheets.

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**CITY OF POUGHKEEPSIE
WATER FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN NET ASSETS
UNAUDITED PRESENTATION**

	Proprietary Fund AS OF DECEMBER 31:				
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
OPERATING REVENUES					
Charges For Services	\$ 3,440,426	\$ 3,271,481	\$ 3,239,343	\$ 3,548,904	\$ 4,390,355
Total Operating Revenues	<u>3,440,426</u>	<u>3,271,481</u>	<u>3,239,343</u>	<u>3,548,904</u>	<u>4,390,355</u>
OPERATING EXPENSES					
Personal Services	520,557	592,706	575,464	563,041	579,836
Administrative Expense	505,598	510,823	514,796	495,530	593,604
Maintenance, Operations and Contractual Expenses	503,559	715,185	188,211	420,460	713,667
Employee Benefits	291,452	426,786	290,980	290,289	303,690
Depreciation	<u>1,109,996</u>	<u>1,114,300</u>	<u>1,130,295</u>	<u>1,127,789</u>	<u>1,127,789</u>
Total Operating Expenses	<u>2,931,162</u>	<u>3,359,800</u>	<u>2,699,746</u>	<u>2,897,109</u>	<u>3,318,586</u>
NET OPERATING INCOME	<u>509,264</u>	<u>(88,319)</u>	<u>539,597</u>	<u>651,795</u>	<u>1,071,769</u>
NON-OPERATING REVENUES (EXPENSES)					
Interest Income	34,504	34,553	34,528	51,436	110,088
Other Income	0	0	0	0	0
Interest On Bonds And Notes	<u>(313,335)</u>	<u>(312,912)</u>	<u>(679,283)</u>	<u>19,616</u>	<u>(219,158)</u>
Total Non-operating Revenues (Expenses)	<u>(278,831)</u>	<u>(278,359)</u>	<u>(644,755)</u>	<u>71,052</u>	<u>(109,070)</u>
Operating Transfers - Out	(335,186)	(301,859)	(662,045)	(437,365)	(1,547,585)
NET INCOME (LOSS)	(104,753)	(668,537)	(767,203)	285,482	(584,886)
Net Assets - Beginning Of Year	31,011,967	30,907,214	30,238,677	29,471,473	29,756,955
Adjustments	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>470,000</u>
Net Assets Restated	<u>31,011,967</u>	<u>30,907,214</u>	<u>30,238,677</u>	<u>29,471,473</u>	<u>30,226,955</u>
Net Assets - End Of Year	<u>\$ 30,907,214</u>	<u>\$ 30,238,677</u>	<u>\$ 29,471,474</u>	<u>\$ 29,756,955</u>	<u>\$ 29,642,069</u>

(a) Adjustment to retroactively record infrastructure assets.

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CITY OF POUGHKEEPSIE
SEWER FUND
STATEMENT OF NET ASSETS
UNAUDITED PRESENTATION

Proprietary Fund	
AS OF DECEMBER 31:	
<u>2010</u>	
ASSETS	
Current Assets:	
Cash and Equivalents	\$ 0
Receivables:	
Charges for Services	1,226,083
Other	339,862
Internal Balances	2,886,796
Due From Other Governments	152,820
Due From Other Related Parties	0
Prepaid Expenses	<u>1,361</u>
Total Current Assets	<u>4,606,922</u>
Capital Assets:	
Land	34,384
Buildings, Net Of Depreciation	0
Improvements and Infra., Net Of Depreciation	18,717,086
Machinery And Equipment, Net Of Depreciation	346,827
Construction In Progress	<u>713,392</u>
Total Capital Assets	<u>19,811,689</u>
TOTAL ASSETS	\$ <u>24,418,611</u>
LIABILITIES AND NET ASSETS	
LIABILITIES	
Current Liabilities:	
Accounts Payable and	
Accrued Liabilities	\$ 505,164
Due To Other Funds	0
Due To Other Governments	0
Other Liabilities	780
Notes Payable	1,725,000
Current Portion Of Bonds Payable	<u>697,674</u>
Total Current Liabilities	<u>2,928,618</u>
Noncurrent Liabilities:	
Compensated Absence Liability	22,040
Bonds Payable	<u>8,578,940</u>
Total Noncurrent Liabilities	<u>8,600,980</u>
Total Liabilities	<u>11,529,598</u>
NET ASSETS	
Invested In Capital Assets, Net Of Related Debt	8,810,075
Unrestricted:	
Designated For:	
Unrestricted (Deficit)	<u>4,078,938</u>
Total Net Assets	<u>12,889,013</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>24,418,611</u>

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**CITY OF POUGHKEEPSIE
SEWER FUND
STATEMENT OF NET ASSETS
UNAUDITED PRESENTATION**

	Proprietary Fund AS OF DECEMBER 31:			
	2011	2012	2013	2014
ASSETS				
Current Assets:				
Cash:	\$ 0	\$ 0	\$ 0	\$ 0
Investments	0	0	0	0
Receivables:				
Charges for Services	1,294,202	1,225,201	1,302,100	1,421,052
Other	661,243	732,093	44,435	256,049
Internal Balances	2,523,127	2,714,617	2,956,657	2,417,864
Due From Related Party	0	0	0	0
Due From Other Governments	149,809	63,919	165,330	244,090
Prepaid Expenses	39,306	0	41,573	41,708
Total Current Assets	<u>4,667,687</u>	<u>4,735,830</u>	<u>4,510,095</u>	<u>4,380,763</u>
Non-Current Assets:				
Due From Related Party	0	0	0	0
Investment In Joint Water Project	0	0	0	0
Total Non-Current Assets	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Capital Assets:				
Land	34,384	34,384	34,384	34,384
Improvement, Net Of Depreciation	17,821,298	17,255,030	16,994,773	16,070,102
Machinery And Equipment, Net Of Depreciation	106,108	8,721	152,083	133,185
Construction In Progress	690,435	604,012	0	0
Total Capital Assets	<u>18,652,225</u>	<u>17,902,147</u>	<u>17,181,240</u>	<u>16,237,671</u>
TOTAL ASSETS	\$ <u>23,319,912</u>	\$ <u>22,637,977</u>	\$ <u>21,691,335</u>	\$ <u>20,618,434</u>
LIABILITIES AND NET ASSETS				
LIABILITIES				
Current Liabilities:				
Accounts Payable	\$ 497,660	\$ 423,636	\$ 444,941	\$ 417,465
Accrued Liabilities	94,230	76,190	76,990	75,777
Due To Other Funds	0	0	0	0
Other Liabilities	792	812	812	1,075
Due to Related Party	0	0	0	0
Notes Payable	0	0	0	0
Current Portion Of Bonds Payable	730,390	739,238	748,791	687,698
Total Current Liabilities	<u>1,323,072</u>	<u>1,239,876</u>	<u>1,271,534</u>	<u>1,182,015</u>
Noncurrent Liabilities:				
Compensated Absence Liability	12,470	13,314	16,000	13,315
Bonds Payable	9,565,411	8,523,213	7,774,423	7,531,725
Total Noncurrent Liabilities	<u>9,577,881</u>	<u>8,536,527</u>	<u>7,790,423</u>	<u>7,545,040</u>
Total Liabilities	<u>10,900,953</u>	<u>9,776,403</u>	<u>9,061,957</u>	<u>8,727,055</u>
NET ASSETS				
Invested In Capital Assets, Net Of Related Debt	8,356,424	8,639,696	8,658,026	8,018,248
Unrestricted:				
Designated For:	0	0	0	0
Unrestricted (Deficit)	<u>4,062,535</u>	<u>4,221,878</u>	<u>3,971,352</u>	<u>3,873,131</u>
Total Net Assets	<u>12,418,959</u>	<u>12,861,574</u>	<u>12,629,378</u>	<u>11,891,379</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>23,319,912</u>	\$ <u>22,637,978</u>	\$ <u>21,691,335</u>	\$ <u>20,618,434</u>

(2) Beginning with the fiscal year ending December 31, 2011, GASB Statement # 54 required a new categorization of Fund Equity.

Please see prior page for the 2010 balance sheet.

The financial data presented on this page has been excerpted from the audited financial statements of the City for the years ended December 31, 2011 through 2014. Such presentation however has not been audited.

Complete copies of the City's audited financial statements are available upon request to the City

**CITY OF POUGHKEEPSIE
SEWER FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN NET ASSETS
UNAUDITED PRESENTATION**

	Proprietary Fund				
	AS OF DECEMBER 31:				
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
OPERATING REVENUES					
Charges For Services	\$ 4,923,188	\$ 4,430,662	\$ 4,348,172	\$ 4,513,523	\$ 4,802,363
Other Revenue	<u>0</u>	<u>(698)</u>	<u>0</u>	<u>0</u>	<u>233</u>
Total Operating Revenues	6 <u>4,923,188</u>	<u>4,429,964</u>	<u>4,348,172</u>	<u>4,513,523</u>	<u>4,802,596</u>
OPERATING EXPENSES					
Personal Services	368,288	344,789	274,548	297,613	304,351
Administrative Expense	492,722	505,467	461,799	554,795	489,782
Maintenance, Operations and Contractual Expenses	2,160,633	2,221,282	1,857,897	2,429,375	2,526,286
Employee Benefits	138,990	164,490	234,482	245,722	121,832
Depreciation	<u>1,346,957</u>	<u>1,361,989</u>	<u>1,054,605</u>	<u>883,167</u>	<u>943,569</u>
Total Operating Expenses	<u>4,507,590</u>	<u>4,598,017</u>	<u>3,883,331</u>	<u>4,410,672</u>	<u>4,385,820</u>
NET OPERATING INCOME	<u>415,598</u>	<u>(168,053)</u>	<u>464,841</u>	<u>102,851</u>	<u>416,776</u>
NON-OPERATING REVENUES (EXPENSES)					
Interest Income	72	45	6	7	5
Other Income	0	0	0	0	0
Interest On Bonds And Notes	<u>(373,121)</u>	<u>(395,282)</u>	<u>(492,783)</u>	<u>(421,888)</u>	<u>(414,233)</u>
Total Non-operating Revenues (Expenses)	<u>(373,049)</u>	<u>(395,237)</u>	<u>(492,777)</u>	<u>(421,881)</u>	<u>(414,228)</u>
Operating Transfers - Out	177,413	93,236	470,551	86,833	(270,547)
NET INCOME (LOSS)	219,962	(470,054)	442,614	(232,197)	(267,999)
Net Assets - Beginning Of Year	12,671,060	12,891,022	12,418,959	12,861,575	12,629,378
Adjustments	(a) <u>0</u>	(a) <u>(2,009)</u>	(a) <u>0</u>	(a) <u>0</u>	(a) <u>(470,000)</u>
Net Assets Restated	<u>12,671,060</u>	<u>12,889,013</u>	<u>12,418,959</u>	<u>12,861,575</u>	<u>12,159,378</u>
Net Assets - End Of Year	\$ <u>12,891,022</u>	\$ <u>12,418,959</u>	\$ <u>12,861,573</u>	\$ <u>12,629,378</u>	\$ <u>11,891,379</u>

(a) Adjustment to retroactively record infrastructure assets.

The financial data presented on this page has been excerpted from the audited financial statements of the City for the years ended December 31, 2009 through 2013. Such presentation, however, has not been audited. Complete copies of the City's Financial Statements are available upon request to the City.

**CITY OF POUGHKEEPSIE
2015 ADOPTED BUDGET**

	General Fund (1)	Water Fund	Sewer Funds (2)	Transit Fund	Community Development Fund	Section 8 Housing Fund	Sanitation Fund (3)	Debt Service Fund	Joint Water Fund	Total
ESTIMATED REVENUES:										
Real Property Taxes	\$ 18,633,401	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 18,633,401
Real Property Tax Items	923,000	0	0	0	0	0	0	0	0	923,000
Non-Property Taxes	10,376,212	0	0	0	0	0	0	0	0	10,376,212
Departmental Income	6,361,360	4,960,400	4,504,310	370,000	0	0	2,507,554	0	3,766,882	22,470,506
Intergovernmental Charges	87,360	142,948	465,000	0	0	0	0	0	0	695,308
Use Of Money And Property	1,000	25,300	20	0	0	500	0	50,000	200	77,020
Licenses And Permits	0	0	0	0	0	0	0	0	0	0
Fines And Forfeitures	0	0	0	0	0	0	0	0	0	0
Sale Of Property And Compensation For Loss	1,191,000	0	0	0	0	0	0	0	0	1,191,000
Interfund Revenues	1,206,400	0	0	0	0	0	0	0	0	1,206,400
State Aid	5,103,771	0	0	361,125	0	0	0	0	0	5,464,896
Federal Aid	1,200	0	0	339,000	140,000	5,121,500	0	0	0	5,601,700
Miscellaneous	0	0	0	0	0	0	0	0	0	0
Total Estimated Revenues	43,884,704	5,128,648	4,969,330	1,070,125	140,000	5,122,000	2,507,554	50,000	3,767,082	66,639,443
APPROPRIATIONS:										
Current:										
General Government Support	5,274,967	899,000	589,700	227,700	25,000	5,800	30,000	50,000	202,948	7,305,115
Public Safety	15,134,669	0	0	0	0	0	0	0	0	15,134,669
Health	0	0	0	0	0	0	0	0	0	0
Transportation	4,298,717	0	0	867,267	0	0	0	0	0	5,165,984
Economic Assistance And Opportunity	0	0	0	0	0	0	0	0	0	0
Culture And Recreation	826,619	0	0	0	0	0	0	0	0	826,619
Home And Community Services	800,000	1,378,515	2,732,595	0	97,459	4,965,534	1,727,978	0	2,968,073	14,670,154
Employee Benefits	13,730,333	332,184	186,812	361,096	17,541	150,666	749,576	0	596,061	16,124,269
Debt Service	0	0	0	0	0	0	0	7,251,318	0	7,251,318
Total Appropriations	40,065,305	2,609,699	3,509,107	1,456,063	140,000	5,122,000	2,507,554	7,301,318	3,767,082	66,478,128
Excess Of Estimated Revenues Over Appropriations	3,819,399	2,518,949	1,460,223	(385,938)	0	0	0	(7,251,318)	0	161,315
OTHER FINANCING SOURCES (USES):										
Operating Transfers - In	2,100,495	0	1,610,221	575,938	0	0	0	7,251,318	0	11,537,972
Operating Transfers - Out:	(5,501,786)	(2,518,949)	(3,070,444)	(190,000)	0	0	0	0	0	(11,281,179)
Total Other Financing Sources (Uses)	(3,401,291)	(2,518,949)	(1,460,223)	385,938	0	0	0	7,251,318	0	256,793
APPROPRIATED FUND BALANCE	\$ (418,108)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (418,108)

(1) The City eliminated a separate fund for parking operations in 2010 and budgeted the revenue and expenditures applicable to such operations in the general fund.

(2) Includes City's share of Joint Sewer Fund.

(3) The City implemented a Sanitation Fund with the 2013 Budget

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**SUMMARY OF
OUTSTANDING LONG-TERM DEBT OBLIGATIONS**

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CAPITAL ASSET POLICY

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CAPITAL ASSETS POLICY

For the Village/Town of [REDACTED] County, New York)

Policy effective June 1, 2003

Section I. Capital Asset Definitions and Guidelines

I. (1) Overview

The Governmental Accounting Standards Board's (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, will require that governments depreciate their exhaustible capital assets, including infrastructure.

Capital assets are tangible and intangible assets that are used in operations and that have initial useful lives that extend beyond a single reporting period. They include land, land improvements, easements, buildings and improvements, equipment, and works of art and historical treasures.

Capital assets include infrastructure assets which are long-lived capital assets that normally are stationary in nature and can be preserved for a significantly greater number of years than most capital assets. Infrastructure assets include roads, bridges, tunnels, drainage systems, water and sewer systems, dams and lighting systems. A government with the primary responsibility for managing infrastructure assets reports that asset, even if a third part maintains it under contract.

Capital assets are reported in the statement of net assets at historical cost. The cost of a capital asset should include capitalized interest and ancillary charges (i.e., freight and transportation charges) necessary to place the assets into use. Donated capital assets should be reported at their estimated fair market value at the time of donation, plus ancillary charges, if any.

Capital assets should be depreciated over their estimated useful lives unless they are either inexhaustible (assets in which service potential is used up so slowly that the estimated useful life is extraordinary long, such as land and land improvements) or are infrastructure assets reported using the modified approach.

Depreciable assets are reported net of accumulated depreciation in the Statement of Net Assets. Accumulated depreciation may be reported on the face of the statement or disclosed in the Notes to Financial Statements. Capital assets that are not being depreciated, such as land or infrastructure assets reported using the modified approach, should be reported separately.

I. (2) Capital Asset Classifications

Capital assets are assets purchased or constructed by the Village/Town of [REDACTED] (the "Village") that have a useful life of three (3) or more years and that have a value equal to or

greater than the established capitalization threshold. The following class of asset categories, capitalization thresholds and useful lives are used for the Village:

Class of Asset Categories, Capitalization Thresholds and Useful Lives

Class of Asset	Capitalization Threshold	Useful Life
Land	\$5,000	Note 1
Land Improvements	\$5,000	20 years
Buildings	\$5,000	40 years
Building Improvements	\$5,000	20 years
Machinery and Equipment: (Note 4)		
Office Equipment	\$5,000	5 years
Furniture	\$5,000	10 years
Computers	\$1,000	4 years
Vehicles	\$5,000	5 years
Heavy Equipment	\$5,000	10 - 20 years
Small Equipment and Tools	\$5,000	3 - 10 years
Other	\$5,000	3 - 10 years
Infrastructure:		
Bridges (including culverts)	\$5,000	30 years
Roads	\$5,000	20 years
Traffic Control Systems	\$5,000	40 years
Dams and Drainage Systems	\$5,000	50 years
Sewer Systems	\$5,000	40 years
Water Systems	\$5,000	40 years
Works of Art, Historical Treasures, and Library Books	\$5,000	Note 2
Construction Work in Progress		Note 3
<p>Note 1 – Not Depreciated</p> <p>Note 2 – Depreciation is not required for Works of Art and Historical Treasures that are inexhaustible. If collection/items are exhaustible, then depreciate over estimated useful life. Due to the constantly changing nature of the Village Library’s book collection, and small cost of individual books, it was decided to not capitalize the cost of such book collection.</p> <p>Note 3 – Depreciation is not required on Construction Work in Progress. Upon completion, the asset will be recorded in appropriate asset classification and depreciation will begin in accordance with the threshold.</p> <p>Note 4 – For control and accountability purposes, capital assets costing less than \$5,000 may be recorded in the capital assets inventory.</p>		

I. (3) Capital Asset Acquisition Cost

Capital assets shall be recorded at their historical costs, or estimated historical cost if the actual historical cost is unknown. The cost of a capital asset shall include any ancillary costs that are necessary to place the asset in its intended condition for use. These include the vendor's invoice (plus the value of any trade-in, if reflected on the invoice), initial installation cost (excluding in-house Village labor costs), modifications, attachments, accessories or apparatus necessary to make the asset usable and render it into service. Historical costs include charges such as freight and transportation costs, site preparation costs and professional fees. The costs of capital assets for governmental activities shall not include capitalized interest.

I. (4) Capital Asset Donations

Donations are defined as voluntary contributions of resources to a governmental entity by a non-governmental entity. Donated capital assets shall be reported at fair market value at the time of acquisition plus ancillary charges, if any. Fair market value is the amount at which an asset could be exchanged in a current transaction between willing parties.

Governmental funds will have to meet the standards of GASB Statement No. 33, *Accounting and Financial Reporting for Non-Exchange Transactions*. Donations must be recorded and reported at fair market value on the date of acquisition. Recipients of donated capital assets will recognize the donation and related revenue when the transaction is complete and the assets are received, providing all eligibility requirements have been met. Promises of capital asset donations should be recognized as receivables and revenues (net of estimated uncollectible amounts) when all applicable eligibility requirements have been met, providing that the promise is verifiable and the resources are measurable and probable of collection.

In some cases, donated capital assets are given with the stipulation (time requirement) that the assets cannot be sold, disbursed or consumed until a specified number of years have passed or a specific event has occurred. For such cases, the capital asset should be reported in the Statement of Net Assets as "Net Assets – Restricted" as long as the restrictions or time requirements remain in effect.

Modified Accrual Basis of Accounting – Do not report revenue from the donation of a capital asset when using the modified accrual basis of accounting, except in the following situation: If the Village receives a donation of a capital asset and intends to sell the asset immediately, revenue shall be recognized in the period the asset is donated, and the capital asset shall be reported in the same fund used to report the revenue as "Assets Held for Sale". Intent to sell should be evidenced by a sale of or contract to sell the capital asset before the financial statements are issued. Revenue shall be measured at the amount at which the capital asset is sold or its contract price. If the Village does not intend to sell the donated capital asset immediately or does not meet the criteria to sell as stated above, the donation shall not be reported in the operations of the governmental funds. Revenue from donations of financial resources such as cash, securities or capital assets shall be recognized when the Village has an enforceable legal claim to the donation and when it is probable the donation will be received, regardless of when

the financial resources are actually received. Revenue shall be measured at the fair value of the financial resource donated.

Full Accrual Basis of Accounting – In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Non-Exchange Transactions*, entities currently using proprietary fund accounting (i.e., water and sewer enterprise funds) must recognize capital asset donations as revenues and not as contributed capital.

I. (5) Leased Equipment

Equipment shall be capitalized if the lease agreement meets any one of the following criteria:

- The lease transfers ownership of the property to the lessee by the end of the lease term.
- The lease contains a bargain purchase option.
- The lease term is equal to 75 percent or more of the estimated economic life of the leased property.
- The present value of the minimum lease payments at the inception of the lease, excluding executory costs, equals at least 90 percent of the fair market value of the leased property.

Leases that do not meet any of the above requirements shall be recorded as an operating lease and reported in the Notes to Financial Statements, if material.

I. (6) Depreciating Capital Assets

Capital assets shall be depreciated over their estimated useful lives in accordance with this policy, unless they are inexhaustible.

The straight-line depreciation method (historical cost less estimated residual value, divided by useful life) is the method that shall be used by the Village for depreciating capital assets. Depreciation shall be calculated on an annual basis. A full year of depreciation shall be included in the year of completion or acquisition of the asset. Depreciation expense shall not be included in the year of disposition. Exception: Due to the material amount involved, depreciation expense for depreciable capital assets costing more than \$1 million dollars shall be recorded in the first and last years based on number of months such asset was in service. Accumulated depreciation will be summarized and posted to the accounting general ledger for both the utility enterprise funds and the entity-wide financial statements.

Depreciation need not be calculated for individual assets. Instead, depreciation may be calculated for classes of assets, networks of assets and subsystems of network assets. A network of assets is defined as all assets that provide a particular type of service for a government. A subsystem of network assets is composed of all assets that make up a similar portion or segment of a network of assets. For example, a water distribution system of the Village could be a network of assets. Pumping stations, storage facilities and distribution networks could be

considered subsystems of that network. Similarly, the Village's storm sewer system could be a network, with catch basins, storm drains and inlets considered a subsystem.

I. (7) Useful Lives of Capital Assets

To estimate the useful lives of its capital assets, the Village shall consider an asset's present condition, use of the asset, construction type, maintenance policy and how long it is expected to meet service and technology requirements. Sources of useful life information include internal information (i.e., historical records and replacement schedules), general guidelines obtained from professional or industry organizations, information for comparable assets of other governments, and use of period of probable usefulness as prescribed by the Local Finance Law.

The Village shall use as its policy guidelines for useful lives of its capital assets the information contained in the table in Section I. (2), entitled *Capital Asset Classifications*, above.

I. (8) Residual Value

Residual value is the estimated fair market value of a capital asset or infrastructure remaining at the end of its useful life. In order to calculate depreciation for an asset, the estimated residual value must be established before depreciation can be calculated. The use of historical sales information is a valuable method for determining the estimated residual value. Proceeds from sale of assets shall be netted against residual value in computing net gain or loss from sale.

The Village generally purchases assets with the intent to use such assets until its usefulness is exhausted. Therefore, the Village policy shall generally be to estimate residual value as zero for all capital assets.

I. (9) Sale of Capital Assets

When an asset is sold, a gain or loss shall be recognized when:

- Cash is exchanged and the amount paid does not equal the net book value of the asset.
- Cash is not exchanged and the asset is fully depreciated or has as residual value.

When an asset is sold, a gain or loss shall not be reported when:

- Cash exchanged equals the net book value, and the asset does not have a residual value.
- Cash is not exchanged and the asset is fully depreciated and has as no residual value.

To compute a gain or loss from sale of capital assets, proceeds received shall be subtracted from the asset's net book value. Examples:

	<u>Gain</u>	<u>Loss</u>
Asset's historical cost	\$10,000	\$10,000
Less: Accumulated Depreciation	<u>7,000</u>	<u>7,000</u>
Net Book Value	\$ 3,000	\$ 3,000
Less: Proceeds Received	<u>5,000</u>	<u>2,000</u>
Gain/Loss from Sale of Asset	Gain \$ 2,000	Loss \$ 1,000

Section II. Capital Asset Categories

II. (1) Land

Land Definition:

Land is the surface or crust of the earth, which can be used to support structures, and may be used to grow crops, grass, shrubs and trees. Land is characterized as having an unlimited life (indefinite).

Depreciation Methodology:

Land is an inexhaustible asset and, therefore, is not depreciated.

Capitalization Threshold:

The capitalization threshold for land is \$5,000.

Examples of Expenditures to be Capitalized as Land:

- Purchase price or fair market value at time of acquisition
- Commissions
- Professional fees (title searches, architect, legal, engineering, appraisal, surveying, environmental assessment, etc.)
- Accrued and unpaid taxes at date of purchase
- Other costs incurred in acquiring the land
- Right-of-way

II. (2) Land Improvements

Land Improvements Definition:

Land improvements consist of betterments, site preparation and site improvements (other than buildings) that ready land for its intended use. Land improvements include such items as excavation, non-infrastructure utility installation, driveways, sidewalks, parking lots, flagpoles, retaining walls, fences, and outdoor lighting. They can be exhaustible or non-exhaustible.

Non-Exhaustible Land Improvements:

Expenditures for improvements that do not require maintenance or replacement. Expenditures to bring land into condition to commence erection of structures, and expenditures for land improvements that do not deteriorate with use or over the passage of time are additions to the cost of land and are generally not exhaustible and therefore not depreciated.

Exhaustible Land Improvements:

Expenditures for improvements that are part of the site, such as parking lots, landscaping and fencing, are usually exhaustible and are depreciated.

Depreciation Methodology:

Land improvements that are inexhaustible assets are not depreciated. Exhaustible land improvements are depreciated on a straight-line basis over 20 years. The straight-line depreciation method (historical cost less residual value, divided by useful life) will be used for exhaustible land improvements.

Capitalization Threshold:

The capitalization threshold for land improvements is \$5,000.

Examples of Expenditures to be Capitalized as Land Improvements:

- Site improvements such as excavation, fill, grading and utility installation
- Removal, relocation, or reconstruction of property of others (railroad, telephone and power lines)
- Fencing
- Landscaping
- Parking lots
- Skating rinks, basketball courts, tennis courts, etc.
- Retaining walls

II. (3) Buildings

Building Definition:

A building is a structure that is permanently attached to the land, has a roof, is partially or completely enclosed by walls, and is not intended to be transportable or moveable.

Depreciation Methodology:

The straight-line depreciation method (historical cost less residual value, divided by useful life) will be used for buildings.

Capitalization Threshold:

The capitalization threshold for buildings is \$5,000.

Examples of Expenditures to be Capitalized as Buildings:

Purchased Buildings:

- Original purchase price
- Expenses for modeling, reconditioning or altering a purchased building to make it ready to use for the purpose for which it was acquired
- Environmental compliance (i.e., asbestos or lead abatement)
- Professional fees (legal, architect, inspections, title searches, etc.)
- Payment of unpaid or accrued taxes on the building to date of purchase
- Cancellation or buyout of existing leases
- Other costs required to place the asset into operation

Constructed Buildings:

- Completed project costs
- Interest accrued during construction
- Cost of excavation, grading or filling of land *for a specific building*
- Expenses incurred for the preparation of plans, specifications, blueprints, etc.
- Professional fees (architect, engineer, management fees for design and supervision, legal)
- Costs of temporary buildings used during construction
- Unanticipated costs, such as rock blasting, piling, or relocation of an underground stream channel
- Permanently attached fixtures or machinery that cannot be removed without impairing the use of the building
- Additions to buildings (expansions, extensions, or enlargements)

II. (4) Building Improvements

Building Improvements Definition:

Building improvements are capital events that materially extend the useful life of a building or increase the value of a building, or both. A building improvement should be capitalized as a betterment and recorded as an addition of value to the existing building if the expenditure for the improvement is at the capitalization threshold, or the expenditure increases the useful life or value of the building.

Depreciation Methodology:

The straight-line depreciation method (historical cost less residual value, divided by useful life) will be used for building improvements and their components.

Capitalization Threshold:

The capitalization threshold for building improvements is \$5,000.

Examples of Expenditures to be Capitalized as Building Improvements:

- Conversion of attics, basements, etc. to useable office, clinic, research or classroom space
- Structures attached to the building such as covered patios, sunrooms, garages, carports, enclosed stairwells, etc.

- Installation or upgrade of heating and cooling systems, including ceiling fans and attic vents
- Original installation/upgrade of wall or ceiling covering such as carpeting, tiles, paneling or parquet
- Structural changes such as reinforcement of floors or walls, installation or replacement of beams, rafters, joists, steel grids, or other interior framing
- Swimming pools
- Installation or upgrade of window or door frame, upgrading of windows or doors, built-in closet and cabinets
- Interior renovation associated with casings, baseboards, light fixtures, ceiling trim, etc.
- Exterior renovation such as installation or replacement of siding, roofing, masonry, etc.
- Installation or upgrade of plumbing and electrical wiring
- Installation or upgrade of phone or closed circuit television systems, networks, fiber optic cable, wiring required in the installation of equipment (that will remain in the building)

Note: For a replacement to be capitalized, it must be a part of a major repair or rehabilitation project, which increases the value, and/or useful life of the building. A replacement may also be capitalized if the new item/part is of significantly improved quality and higher value compared to the old item/part such as replacement of an old shingle roof with a new fireproof tile roof. Replacement or restoration to original utility level would not. Determinations must be made on a case-by-case basis.

Other Costs Associated with the Above Improvements Not to Capitalize:

The following are examples of expenditures not to capitalize as improvements to buildings. Instead, these items should be recorded as maintenance expenditures:

- Adding, removing and/or moving of walls relating to renovation projects that are not considered major rehabilitation projects and do not increase the value of the building
- Improvement projects of minimal or no added life expectancy and/or value to the building
- Plumbing or electrical repairs
- Cleaning, pest extermination, or other periodic maintenance
- Maintenance-type interior renovation, such as repainting, touch-up plastering, replacement of carpet, tile, or panel sections; sink and fixture refinishing, etc.
- Maintenance-type exterior renovation such as repainting, replacement of deteriorated siding, roof, or masonry sections
- Replacement of a part or component of a building with a new part of the same type and performance capabilities, such as replacement of an old boiler with a new one of the same type and performance capabilities
- Any other maintenance-related expenditure which does not increase the value of the building

II. (5) Machinery and Equipment

Machinery and Equipment Definition:

Machinery and equipment are fixed or movable tangible assets to be used for operations, the benefits of which extend three or more years from the date acquired and rendered into service. Improvements or additions to existing personal property that constitute a capital outlay or increase the value or life of the asset should be capitalized as a betterment and recorded as an addition of value to the existing asset. Note: Costs of extended warranties and/or maintenance agreements, which can be separately identified from the cost of the equipment, should not be capitalized.

Categories of Machinery and Equipment:

- Office equipment
- Furniture
- Computers
- Vehicles
- Heavy Equipment
- Small Equipment and Tools
- Other

Note: Due to the low cost and value of individual furniture pieces (which may be material in the aggregate), it will be assumed that historical cost of this class of asset is 75% of insurance appraisal value, if the historical cost is unknown.

Depreciation Methodology:

The straight-line depreciation method (historical cost less residual value, divided by useful life) will be used for machinery and equipment.

Capitalization Threshold:

The capitalization threshold for machinery and equipment is \$5,000. However, for control and accountability purposes, capital assets costing less than \$5,000 may be recorded in the capital assets inventory.

Examples of Expenditures to be Capitalized as Machinery and Equipment:

- Original contract or invoice price, including freight charges, handling and storage charges, in-transit insurance charges, charges for testing and preparation for use, and costs of reconditioning used items when purchases
- Parts and labor associated with the construction of equipment
- Dump trucks and passenger cars
- Heavy construction equipment such as front-end loaders and backhoes
- Lawn maintenance equipment, compressors and tool kits
- Computer hardware and software

II. (6) Infrastructure

Infrastructure Definition:

Infrastructure are assets that are long-lived capital assets that normally are stationary in nature and can be preserved for a significantly greater number of years than most capital assets. Infrastructure assets are often linear and continuous in nature.

Infrastructure Classifications:

- Bridges, including culverts
- Roads
- Traffic control systems
- Dams and drainage systems
- Water systems
- Sewer systems

Prospective Reporting Policy Guidelines:

Prospective recording and reporting of general infrastructure assets in the Village's accounting records and Statements of Net Assets is required beginning at the effective date of GASB 34 implementation (i.e., as of June 1, 2003 for the Village). The Village, as a "phase two (2)" government, is allowed four additional years to implement the required retroactive capitalization of major infrastructure assets that were acquired (or significantly reconstructed, or that received significant improvements) in fiscal years ending after June 30, 1980. However, it shall be the policy of the Village to implement the required retroactive capitalization as of June 1, 2003, the effective date of GASB 34 implementation. Moreover, Village policy shall be to limit its accounting for infrastructure to that acquired (or significantly reconstructed, or that received significant improvements) in fiscal years ending after June 30, 1980, as is allowed. Analysis found that the net undepreciated cost of infrastructure acquired prior to June 30, 1980 was not significant to the Village's Statement of Net Assets.

Infrastructure Improvements:

Infrastructure improvements are capital events that materially extend the useful life or increase the value of the infrastructure, or both. Infrastructure improvements should be capitalized as a betterment and recorded as an addition of value to the infrastructure if the improvement or addition of value is at the capitalization threshold or increases the life or value of the asset.

Jointly Funded Infrastructure:

Infrastructure paid for jointly by multiple governmental entities should be capitalized by the entity responsible for future maintenance.

Maintenance Costs:

Maintenance costs are recurring costs that allow an asset to continue to be used during its originally established useful life. Maintenance costs are expensed in the period incurred.

Preservation Costs:

Preservation costs are generally considered to be those outlays that extend the useful life of an asset beyond its original estimated useful life, but do not increase the capacity or efficiency of the asset. Preservation costs should be capitalized under the depreciation approach.

Additions and Improvements:

Additions and improvements are those capital outlays that generally increase the capacity or efficiency of the asset. A change in capacity increases the level of service provided by an asset. For example, additional lanes can be added to a highway or the weight capacity of a bridge could be increased. A change in efficiency maintains the same service level, but at a reduced cost. The cost of additions and improvements should be capitalized.

Depreciation Methodology:

The straight-line depreciation method (historical cost less residual value, divided by useful life) will be used for infrastructure assets.

Capitalization Threshold:

The capitalization threshold for infrastructure assets is \$5,000.

Examples of Expenditures to be Capitalized as Infrastructure:

- Roads, streets, curbs, gutters, sidewalks, fire hydrants
- Bridges, culverts, trestles
- Dams, drainage facilities
- Water mains and distribution lines
- Fiber optic and telephone distribution systems (between buildings)
- Light system (traffic, outdoor, street, etc.)
- Signage
- Sewer systems
- Water systems, including reservoirs

II. (7) Works of Art, Historical Treasures and Library Books

Works of Art, Historical Treasures and Library Books Definition:

Works of art and historical treasures are collections or individual items of significance that are owned which are not held for financial gain, but rather for public exhibition, education or research in furtherance of public service. Also, public library book collections. Collections or individual items that are protected and cared for or preserved and subject to an organizational policy that requires the proceeds from sales of collection items to be used to acquire other items for collections.

Exhaustible Collections or Items:

Exhaustible collections or items are those whose useful lives are diminished by display or educational or research applications. Also, public library book collections.

Inexhaustible Collections or Items:

Inexhaustible collections or items are those whose economic benefit or service potential is used up so slowly that the estimated useful lives are extraordinary long. Because of their cultural, aesthetic, or historical value, the holder of the asset applies efforts to protect and preserve the asset in a manner greater than that for similar assets without such cultural, aesthetic, or historical value.

Depreciation Methodology:

The straight-line depreciation method (historical cost less residual value, divided by useful life) will be used for exhaustible collections or items. Inexhaustible collections or items are not depreciated.

Capitalization Threshold:

Works of art and historical treasures acquired or donated will be capitalized at a threshold of \$5,000.

If a collection is held for financial gain and not capitalized, disclosures must be made in the Notes to Financial Statements that provide a description of the collection and the reasons these assets are not capitalized. When donated collection items are added to noncapitalized collections, program expense equal to the amount of revenues should be recognized.

Due to the constantly changing nature of the Village Library's book collection, and small cost of individual books, it was decided to not capitalize the cost of such book collection, even though an appraisal of such books in 2003 aggregated \$1.4 million net depreciated cost.

Examples of Expenditures to be Capitalized as Works of Art, Historical Treasures and Library Books:

- Collection of rare books, manuscripts
- Maps, documents and recordings
- Works of art such as paintings, sculptures and designs
- Artifacts, memorabilia, exhibits
- Unique or significant structures such as monuments or statutes (example: Chief [REDACTED] statue)
- Cost of public library book collection

II. (8) Construction Work in Progress

Construction Work in Progress Definition:

Construction work in progress reflects the economic construction activity status of buildings and other structures, infrastructure (roads, water system, etc.), additions, alterations, reconstruction, installation, and maintenance and repairs, which are substantially incomplete.

Depreciation Methodology:

Depreciation is not applicable while assets are accounted for as construction work in progress. Upon asset completion and placement into service, the value of such asset is removed from the construction work in progress account and transferred to the appropriate capital asset classification account. Depreciation then begins based upon depreciation life of the appropriate asset category. See appropriate capital asset category when asset is capitalized.

Capitalization Threshold:

Construction work in progress assets should be capitalized to their appropriate capital asset categories upon the earlier occurrence of execution of substantial completion contract documents, occupancy, or when the asset is placed into service (generally \$5,000).

Policy approved by Board of Trustees 9/20/04

Policy drafted by [REDACTED] in March 2004 (revised August 2004) based on City of [REDACTED] Capital Asset Policy, [REDACTED] GASB Statement 34 Seminar handout, and other GASB 34 professional publications.

SAMPLE
CASH COLLECTION POLICY

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Cash Collection Policies

City of [REDACTED]
Department of Finance
Bureau of Treasury



Revised June, 2009



To: [Redacted]
From: [Redacted]
Date: [Redacted]
Subject: [Redacted]

The following Cash Collection Policies give direction on the appropriate methods and controls for collecting and reporting cash received by the City. All City departments and bureaus are required to comply with the procedures.

This revision incorporates credit and debit card processing.

The Cash Collection Policies are addressed in the following sections.

SECTION	DESCRIPTION
1.	How to Record Cash
2.	Identification of Cash Receipts to Cash Deposits
3.	Separation of Duties
4.	Deposit of Cash
5.	Safeguarding Funds
6.	Cash Disbursements from Cash Receipts
7.	Limiting People Handling Cash
8.	Processing Checks
9.	Returned Checks
10.	Accounts Receivable
11.	Establishing a Change Fund
12.	Credit and Debit Card Processing

Should you require technical assistance with the policies please contact [Redacted],
City Treasurer at [Redacted]

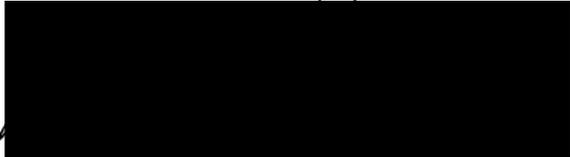


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<u>SECTION</u>	<u>DESCRIPTION</u>
1.	How to Record Cash
2.	Identification of Cash Receipts to Cash Deposits
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6.	Cash Disbursements from Cash Receipts
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11.	Establishing a Change Fund
12.	Credit and Debit Card Processing

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SECTION 1
HOW TO RECORD CASH

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HOW TO RECORD CASH

All cash collection areas must record cash when received. Acceptable methods for recording cash are as follows:

1. Cash Register with Journal Tape.
2. Serially Numbered Customer Receipts
3. Serially Numbered Tickets.

CASH REGISTER

The cash register provides an effective method of recording cash. The cash register is used in a high volume cash collection area. The cash register allows you to record receipts to a journal tape, categorize receipts, and total by category (z read). The Z read tapes must be taken daily by a supervisor and retained for a three year period or until an audit has been completed. The z read number shall be documented on the Daily Cash Reconciliation Report. The supervisor shall also monitor that the Z read numbers are consecutive.

SERIALLY NUMBERED CUSTOMER RECEIPTS

A serially numbered customer receipt is an effective low cost method of recording cash. The receipt should be at least in duplicate form, serially

numbered in a bound receipt book. One copy of the receipt shall be given to the customer and one copy kept in the receipt book. **The department's receipt book inventory responsibility shall be delegated to someone other than the person responsible for recording cash.** The person responsible for maintaining the inventory shall keep a record of who has been assigned the receipt book and the numerical series of the receipts in each receipt book.

SERIALLY NUMBERED TICKETS

Serially numbered tickets may be an effective method of recording cash in a high volume, low cash per transaction environment. The person collecting the cash issues a ticket in exchange for cash, that person also records the number of tickets sold, listing both the starting and ending number. **The serially numbered ticket inventory for the department shall be delegated to someone other than the person responsible for selling tickets. The person responsible for the ticket inventory shall keep a record of who has the tickets and the numerical sequence of the tickets issued.**

The use of tickets provides a less desirable cash control than the use of a cash register. It therefore requires periodic head counts by the supervisor.

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SECTION 2

IDENTIFICATION OF CASH RECEIPTS TO CASH DEPOSITS

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**IDENTIFICATION OF CASH
RECEIPTS TO CASH DEPOSITS**

All cash receipts must be identified with a corresponding FIS Data Input Form. This procedure is done to verify that cash receipts equal cash deposits. It is also done to update the City's Financial Information System. Please call the Bureau of Accounting if assistance is needed on how to complete a FIS Data Input Form.

To facilitate the reconciliation of receipts to the FIS Data Input Form, the following shall be done:

1. The FIS document and receipts shall explain in detail what the payment is for.

The name of the department, name of the event, the date of the event, the beginning and ending numbers of the receipts used, the serial numbers of the voids, the sale price of the tickets and total sales shall be included on the form. **The FIS document and receipt shall contain supporting documentation to allow for reconciliation.**

2. Voided receipts shall be marked VOID and left in the receipt book so that each receipt is accounted for.

3. After the receipts are used, the book shall be kept in a safe place for at least three years.

SECTION 3
SEPARATION OF DUTIES

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SEPARATION OF DUTIES

The separation of cash collecting from cash recording is essential. The danger of misappropriation of cash is reduced if collusion is made necessary to conceal the embezzlement of cash receipts. Due to the limited number of employees in certain collection areas it is recognized that separation of duties may be difficult. In those areas where separation of duties cannot be performed there shall be increased review by the supervisor to assure compliance with the prescribed process and accuracy in reporting.

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SECTION 4
DEPOSIT OF CASH

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DEPOSIT OF CASH

The day's cash receipts shall be deposited intact with the City Treasurer within 24 hours after the cut off for the day. All monies received on behalf of the City shall be made payable to the City of [REDACTED] or City Treasurer and must be deposited in accordance with the rules described by these guidelines. Checks received on behalf of the City of [REDACTED] should never be made payable to specified named individuals. In those areas where a daily deposit of cash is not warranted because of low cash volume, the cash receipts shall be deposited with the City Treasurer **within 5 days of receipt or accumulation of \$100.00** whichever occurs first. If depositing cash receipts with the City Treasurer is not convenient, you may make arrangements with the City Treasurer to deposit cash receipts directly into a City of [REDACTED] bank account. **With no exceptions, all deposits must be made to a designated account in the name of the City of [REDACTED]** Cash must always be kept in a secure City of [REDACTED] location.

DEPOSIT OF CASH

Contact the City Treasurer's Office if arrangements are needed to make deposits during special events.

SECTION 5
SAFEGUARDING FUNDS

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SAFEGUARDING FUNDS

Physical safeguards of funds are a basic control that every City office receiving cash should have. The types of physical safeguards needed in individual situations will depend on the amounts of cash normally on hand and the extent of the risks that exist. It is the responsibility of all departments to evaluate safeguards utilized in their respective cash collection areas and make improvements where necessary.

The Finance Department and/or Audit & Review are available for technical assistance if requested.

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SECTION 6

CASH DISBURSEMENTS FROM CASH RECEIPTS

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**CASH DISBURSEMENT FROM
CASH RECEIPTS**

Cash disbursements should never be made from cash receipts. Cash receipts should be deposited intact. Clear accountability can only be maintained when the cash receipt function is separated from the cash disbursement function. **All** disbursements shall be made by claim vouchers or cash journals. Petty Cash disbursement is an exception to this rule.

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SECTION 7
LIMITING PEOPLE HANDLING CASH

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**LIMITING PEOPLE HANDLING
CASH**

The number of people collecting cash at the same time from a common cash drawer should be limited to one person. This is done to pinpoint responsibility to an individual for specific transactions. In those cases when the cash collecting responsibility cannot be delegated to one person, no more than two individuals shall be assigned to collect cash from a common cash drawer during a particular work shift.

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SECTION 8
PROCESSING CHECKS

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PROCESSING CHECKS

All checks received in payment shall be made payable to the City of [REDACTED] or City Treasurer. All checks must be restrictively endorsed immediately upon receipt. Every office receiving checks in payment shall request a restrictive endorsement stamp from the City. Federal Reserve Regulations require that the restrictive endorsement must be placed on the back of the check in the upper 1/2 inch portion of the check. The restrictive endorsement must state that the check is for deposit only in a City of [REDACTED] account. Restrictively endorsing checks upon receipt is important for two reasons:

First: Restrictive endorsements lessen the likelihood that checks can be stolen and improperly cashed.

Second: Identifying endorsements assist the City Treasurer in returning Non Sufficient Funds (NSF) checks to the originating department for follow up action.

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SECTION 9
RETURNED CHECKS

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RETURNED CHECKS

The Bureau of Treasury's Head Cashier receives all checks returned from banks because of Non Sufficient Funds (NSF) or any other reason. The following procedure shall be adhered to for all returned checks:

1. The Head Cashier will not redeposit returned checks. All returned checks will be sent immediately to the Bureau of Accounting for a charge back to the appropriate revenue line.
2. The Bureau of Accounting will immediately return checks to the originating department for collection. The maker of the check shall be contacted immediately by the department that deposited the check.
3. The maker of the check shall be instructed to make the check good and pay the returned check fee otherwise future services will be withheld or legal action will be recommended for the collection of the returned check.

Each returned check that is not collected shall have a detailed explanation of the collection effort made to collect the returned check. Each department that deposits checks shall keep a log of returned checks. This log will contain pertinent information about the check. This log will also contain a column to indicate if the check was made good and a column that evidences that the returned fee was collected.

SECTION 10
ACCOUNTS RECEIVABLE

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ACCOUNTS RECEIVABLE

When a service or item has been sold but payment has not been received the amount owed is an Account Receivable. Every department that sells anything with a deferred payment option should have a system to account for all cash to be received. This receivable system shall include a detailed report that can identify and categorize all receivables by type, date due, fund, originating department, frequency of payment and amounts due.

- When a City office sells a service or commodity an invoice shall be prepared that contains the following information:**

- 1. Date of transaction
 2. Issuing department and bureau
 3. Terms of payment
 4. Service rendered
 5. Remittance advice

When the invoice is complete the total dollar amount shall be added to the Accounts Receivable ledger. When payment is received the department will endorse the checks with a restrictive endorsement, prepare a FIS document for deposit and subtract the payment from the Accounts Receivable ledger. A monthly aging

report shall be prepared to document and monitor the delinquency of the Accounts Receivable. The department will be able to identify accounts receivable transactions and balances if the outlined procedures have been followed. (If requested, technical assistance is available from the City Treasurer's Office or the Office of Public Integrity.)

SECTION 11

ESTABLISHING A PETTY CASH OR CHANGE FUND

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**ESTABLISHING A PETTY CASH OR
CHANGE FUND**

Please refer to the City's Petty Cash Guidelines if there is a need to establish a petty cash fund or a change fund. Contact the City Treasurer's Office if you need a copy of the City's Petty Cash Policy.

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SECTION 12
CREDIT AND DEBIT CARD PROCESSING

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CREDIT AND DEBIT CARD PROCEDURES

The City of [REDACTED] currently accepts three major credit cards (MasterCard, Visa, and Discover) for payment of charges and services rendered. Debit cards with the Visa or MasterCard logo are also accepted. All city departments are required to process card transactions through the merchant services provider selected by the City of [REDACTED].

GENERAL GUIDELINES

1. Any city department wishing to accept a credit/debit card for charges or services shall obtain authorization from the Department of Finance, Bureau of Treasury.
2. Upon approval, the Bureau of Treasury will request a Merchant ID for the new user from the merchant service provider.
3. The Bureau of Treasury will work with the department regarding the purchase of all card processing terminals. All card equipment that prints a receipt is required to truncate (display only the last four digits) the card number on the customer receipt.

4. City departments shall not store electronically any sensitive cardholder data. It is acceptable for Point of Sale devices to store the sensitive cardholder data on the device until transactions are settled; once settlement occurs, no information shall be stored electronically.
5. On a daily basis, the department shall balance transactions and settle their sales electronically with the merchant services provider. Upon settlement the department will complete a Finance Information System (FIS) form and send it to the Head Cashier located in the Bureau of Treasury. The FIS form will be processed by the bureau of Treasury to record the revenue in FIS.
6. The Department of Finance, Bureau of Treasury will coordinate all credit/debit card processing for the City of [REDACTED]. No individual department may enter into a contract with a credit/debit card processor.
7. Departments shall maintain adequate records of all credit/debit card transactions. Individual receipt slips and other documents with cardholder data should be stored in a locked filing cabinet or safe, and retained for three years. In order to dispute a charge, customers must report the item to the credit card company within 120 days after

the date of sale. At the time of disposal, all documents containing sensitive cardholder data shall be shredded using a cross-cut shredder.

8. The Department of Finance, Bureau of Accounting will compare the sales amount per the FIS transmittal to the bank statements received from the card processor. All discrepancies should be resolved within 24 hours with the Department of Finance, Bureau of Accounting.
9. When the Bureau of Treasury receives charge back inquiries from the credit card companies, the applicable department will be contacted to provide the necessary information about the sales transaction in question.

Departments should refer to the Credit Card Acceptance Guide for supplemental training in accepting credit and debit cards for payment. Please contact the City Treasurers office should you need a copy of the Credit Card Acceptance Guide.

Credit /Debit Card Fraud Reduction

In order to reduce fraud, departments shall follow these procedures for processing cards when the card is present (i.e. person).

- ✓ Ask for identification at the point of sale to verify that the card member is using the card.
- ✓ Always swipe the card through the terminal/point of sale device, if applicable.
- ✓ Obtain authorization for every card sale.
- ✓ Ask the customer to sign the sales receipt.
- ✓ Match the embossed number on the card to the four digits of the account number displayed on the POS terminal.
- ✓ Compare the name and signature on the card to those on the transaction receipt.
- ✓ If you believe the card member or card sale is suspicious, make a Code 10 call to the voice authorization center for the card being used (refer to the credit card acceptance guide you received with your credit card processing equipment).

Please contact the City Treasurer's Office should you have any questions concerning credit or debit card acceptance.

SAMPLE
DEBT MANAGEMENT POLICY

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Sample - Debt Management Policy

Debt is an effective way to finance capital improvements or to even out short-term revenue flows. Properly managed debt preserves our credit rating, provides flexibility in current and future operating budgets, and provides us with long-term assets that maintain or improve our quality of life. To provide for the appropriate issuance and responsible use of debt, the Town of [REDACTED] has adopted the following debt management policy statements:

The Town shall:

(a) not use short-term borrowing to finance operating needs except in the case of extreme financial emergency. Short-term borrowings include budget, tax, and revenue anticipation notes. If used, all short-term debt shall be fully paid in the current or immediately following fiscal year and not rolled over. If short-term debt is used in two or more consecutive fiscal years, reserves for the next budget shall be increased by the amount of short-term borrowing.

(b) use long-term debt for only those capital improvements that cannot be readily financed from current revenues.

(c) ensure the final maturity date for any long-term debt will not exceed the expected life of the capital improvement so financed. Balloon payments and similar deferrals of debt repayment shall be avoided.

(d) ensure that the net (non-self-supporting) general obligation Town-wide debt of the Town shall not exceed 5% of the total equalized market value of taxable property.

(e) use special assessments, revenue bonds, and/or any other available self-liquidating debt instruments instead of general obligation bonds whenever possible and appropriate.

(f) The annual operating budgets of all funds will be maintained so as to ensure the full and timely repayment of debt principal and interest due that year.

(g) As required under New York State Local Finance Law § 104, our total amount of outstanding debt will not exceed 7% of our 5-year average full valuation.

(h) Debt limits established by law and policy will be calculated at least once each year, and whenever otherwise requested or appropriate.

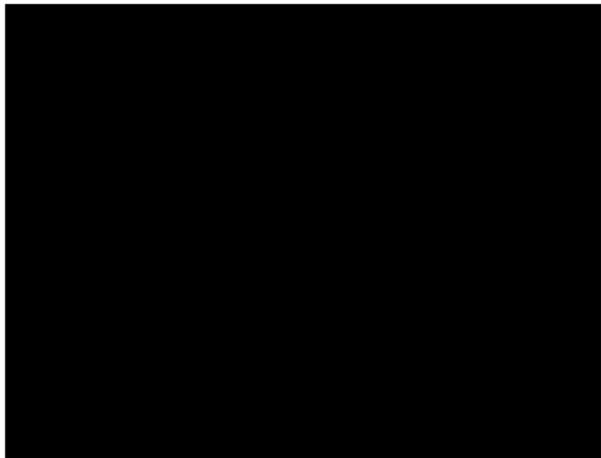
(i) Good communications will be maintained with bond rating agencies, bond counsel, banks, financial advisors and others involved in debt issuance and management. The Town Comptroller or his respective designees shall be the Town's representatives in official matters involving Town debt, and shall determine who should participate in communications with rating agencies concerning Town debt. The Town Comptroller shall coordinate and participate in communications between other Town officials and the Town's bond counsel, financial advisors, and financial institutions concerning Town debt.

Our comprehensive annual financial reports and official statements will reflect our commitment to full and open disclosure concerning our debt

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SAMPLE
FUND BALANCE POLICY

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**THE TOWN OF [REDACTED]
FUND BALANCE POLICY**

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The Town of [REDACTED] (the “Town”) has an important responsibility to its citizens to carefully account for public funds, to manage municipal finances wisely and to plan the adequate funding of services desired by the public, including the provision and maintenance of public facilities.

An important indicator of the financial stability of the Town is its un-reserved fund balance that represents the un-assigned and unencumbered balance of the Town’s revenues held in the Town’s numerous funds.

In the recent past, Town budgets did not target a minimum un-reserved fund balance. As a result of this on-going practice the Town does not have an adequate financial cushion.

The Town hereby establishes a minimum un-reserved Fund Balance Policy (the “Fund Balance Policy”) that together with the Town Financial Policy, Revenue Policy and the Expense Policy will serve to guide the Town’s budgeting decisions by providing:

- a target Minimum un-reserved Fund Balance (the “Minimum Fund Balance”) for the Town’s three principal funds:
 - the Town General Fund,
 - the Town Unincorporated Fund, and
 - the Highway Fund (together “the Funds”),
- a specific time frame to attain the Minimum Fund Balance,
- the permitted uses that by their nature are not expected to occur routinely of the Minimum Fund Balance.

The Town shall:

- a) strive to attain and maintain in each of the Funds at fiscal year-end the Minimum Fund Balance of 10% (the “Minimum Fund Balance Percentage”) of each of the Funds total adopted budgeted expenditures. The Minimum Fund Balance Percentage represents the Town’s best estimate at this time of the financial reserves required to meet unexpected variances. The Minimum Fund Balance exclusive of the operating budget contingency established under e) is reserved for the following uses:
 - i. cash flow purposes;
 - ii. unknown, unbudgeted, and unpredictable events, such as a catastrophic road failure;

- iii. to provide a reserve to fund calls on the Town's resources by the school district [REDACTED] County and un-funded mandates imposed on the Town by higher levels of government; and
 - iv. to provide a reserve to meet negative budget variances subject to the procedures set forth in d) below;
- b) not use the Fund Balance for predictable or recurring expenses until the Minimum Fund Balance has been attained;
- c) refrain from the use of the Minimum Fund Balance to reduce the amount of the real property taxes and/or will use the Minimum Fund Balance for one-time capital or emergency expenditures only if:
- i. there are surplus balances remaining after all reserve and fund allocations are made, or
 - ii. the Town has made a rational analysis with justifying evidence that it has an adequate level of short and long term resources;
- d) use the Minimum Fund Balance to assist the Town in addressing negative actual budget variances subject to:
- i. 1st reducing expenditures or increasing revenues in an amount up to 5% of the Town's annual adopted operating budget expenditures and to request a 5% reduction from all outside contracted vendors and consultants.
 - ii. should the Town require additional resources than the 5% provided by d) i) to cure the actual budget deficit the Town can use unreserved fund balance on a dollar match basis for each additional dollar of expenditure reduction or revenue enhancement up to an amount that totals 5% of the Town's annual adopted budget expenditures;
 - iii. should the Town require additional resources than the aggregate 10% provided by d) i) and d) ii) the Town can use the remaining Minimum Fund Balance in its entirety but in an amount not to exceed the amount required to cure the operating deficit;
- e) establish, in the operating budget, a contingency appropriation reserve line item, as appropriate, of the three principal funds, to:
- i. provide for non-recurring unforeseen expenditures of an emergency nature;
 - ii. provide orderly budgetary adjustments when revenues do not meet projections;

- iii. provide the local match for public or private grants that may become available during the fiscal year;
 - iv. meet unexpected increases in service delivery costs; and
 - v. provide for settlement of pending liabilities and for un-expected payment of accrued vacation and sickness liabilities;
- f) develop a structurally balanced five year forecast using projected recurring revenues and recurring expenses from which to project the establishment of a 10% un-reserved fund balance for fiscal years beginning after December 31, 2018;
- g) each year starting with the 2011 budget the Town Board shall strive to allocate a minimum of 1% of annual budgeted expenses with the goal of achieving a 10% fund balance by the year 2018 in all three principal funds.

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SAMPLE
INVESTMENT (WRITTEN) POLICY

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TOWN OF ██████████ NY

INVESTMENT POLICY

Introduction

Pursuant to Chapter 708 of the Laws of 1992, section 39 was added to the General Municipal Law. The legislation requires each local government, including counties, cities, towns, villages, school districts, boards of cooperative education services, district corporations as defined by §36 of the General Construction Law, and any other governmental subdivisions, to adopt by resolution a comprehensive investment policy detailing the local government's operative policy and instructions to officers and staff regarding the investing, monitoring and reporting of funds of the local government.

The purpose of this legislation is to formalize policies and procedures and enable local Governments to:

- ✓ establish a prudent set of basic procedures to meet individual investment objectives,
- ✓ assure that investment assets are adequately safeguarded or collateralized,
- ✓ establish and maintain a system of internal controls including adequate accounts and records which accurately reflect in reasonable detail, all investment transactions, and
- ✓ provide accurate reporting and evaluation of investment results in conformance with GAAP (generally accepted accounting principles).

Because of the vast differences in the size, operations and sophistication of local governments, mandating specific procedures would be inappropriate. Rather, the legislation requires that the adopted policy address, at a minimum, broad areas, which are designed to achieve the basic objectives. These areas are:

- ✓ a list of authorized investments,
- ✓ procedures to ensure the local government's financial interest in investments,
- ✓ standards for written agreements consistent with Legal requirements,
- ✓ procedures for the monitoring, control, deposit and retention of investments and collateral,
- ✓ standards for security agreements and custodial agreements consistent with legal requirements,
- ✓ standards for diversification of investments including diversification as to type of investments and firms with whom the local government transacts business, and
- ✓ standards for qualification of investment agents which transact business with local governments.

In order to assist local governments in formulating an investment policy in accordance with General Municipal Law §39, the State Comptroller is required to formulate a "model investment policy".

The diversity of the investment program should be set by the professionalism and caliber of the staff and the policy guidance provided by elected officials.

Once the policy is developed, it should be taken to the governing board and formally adopted by resolution. This ensures elected officials understand the concepts that underlay the policy. After the resolution is adopted it should be implemented immediately, and procedures developed using the policy as a framework. The policy should not be a static document but should be reviewed at least annually or whenever new investment legislation becomes law, as staff capabilities change, or as other external and internal issues dictate. The policy should be re-adopted by the governing body at the organizational meeting of a new legislative body.

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Section 1 – Scope

This investment policy applies to all moneys and other financial resources available for investment on behalf *of the Town of* [REDACTED] or on behalf of any other entity or individual.

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Section 2 - Objectives

The primary objectives of the *Town of* [REDACTED] investment activities are, in priority order,

- ✓ **Legal:** to conform with all applicable federal, state and other legal requirements,
- ✓ **Safety:** to adequately safeguard principal
- ✓ **Liquidity:** to provide sufficient liquidity to meet all operating requirements, and
- ✓ **Yield:** to obtain a reasonable rate of return.

Section 3 – Delegation of Authority

The *Town Board's* responsibility for administration of the investment program is delegated to the Chief Fiscal Officer, or other officer *so designated*, having custody of money, who shall establish written procedures for the operation of the investment program consistent with these investment guidelines. Such procedures shall include an adequate internal control structure to provide a satisfactory level of accountability based on a data base or records incorporating description and amounts of investments, transaction dates, and other relevant information and regulate the activities of subordinate employees.

Section 4 – Prudence

All participants in the investment process shall seek to act responsibly as custodians of the public trust and shall avoid any transaction that might impair public confidence in the Town of [REDACTED] to govern effectively.

Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the safety of the principal as well as the probable income to be derived.

All participants involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

Section 5 – Diversification

It is the policy of the Town of [REDACTED] to diversify its deposits and investments by financial institution, by investment instrument, and by maturity scheduling.

Section 6 – Internal Controls

It is the policy of the Town of Monroe for all moneys collected by any officer or employee of the government to transfer those funds to the Chief Fiscal Officer, or other officer *so designated*, having custody of money, within the number of days indicated below, or within the time period specified in law, whichever is shorter.

- ✓ Tax Collector – within 15 calendar days of collection
- ✓ Town Clerk – within 15 calendar days after the month of collection

- ✓ Building Inspector – within 5 business days of collection
- ✓ Dial-a-Bus – within 5 business days of collection
- ✓ Recreation – within 5 business days of collection
- ✓ Sewer – within 5 business days of collection

The Chief Fiscal Officer, or other officer *so designated*, having custody of money, is responsible for establishing and maintaining an internal control structure to provide reasonable, but not absolute, assurance that deposits and investments are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management’s authorization and recorded properly, and are managed in compliance with applicable laws and regulations.

Section 7 – Designation of Depositories

The banks and trust companies authorized for the deposit of monies, as designated *at* the Town of ██████████ *Town Board’s* reorganization *meeting* each year:

<u>Depository Name</u>	<u>Officer</u>	<u>Contact#</u>
M&T Bank		
Hudson United Bank		
Fleet Bank		
Bank of New York		
JP Morgan Chase		
Warwick Community Bancorp, Inc		

Section 8 – Collateralizing of Deposits

In accordance with the provisions of General Municipal Law, §10, all deposits of Town of ██████████ including certificates of deposit and special time deposits, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act shall be secured:

1. By a pledge of “eligible securities” with an aggregate “market value”, or provided by General Municipal Law, §10, equal to the aggregate amount of deposits from the categories designated in Appendix A to the policy.
2. By an eligible “irrevocable letter of credit” issued by a qualified bank other than the bank with the deposits in favor of the government for a term not to exceed 90 days with an aggregate value equal to 140% of the aggregate amount of deposits and the agreed upon interest, if any. A qualified bank is one whose commercial paper and other unsecured short-term debt obligations are rated in one of the three highest rating categories by at least one nationally recognized statistical rating organization or by a bank that is in compliance with applicable federal minimum risk-based capital requirements.
3. By an eligible surety bond payable to the government for an amount at least equal to 100% of the aggregate amount of deposits and the agreed upon interest, if any, executed by an insurance company authorized to do business in New York State, whose claims- paying ability is rated in the highest rating category by at least two

nationally recognized statistical rating organizations.

Section 9 – Safekeeping and Collateralization

Eligible securities used for collateralizing deposits shall be held by a third party or trust company subject to security and custodial agreements.

The security agreement shall provide that eligible securities are being pledged to secure local government deposits together with agreed upon interest, if any, and any costs or expenses arising out of the collection of such deposits upon default. It shall also provide the conditions under which the securities may be sold, presented for payment, substituted or released and the events, which will enable the local government to exercise its rights against the pledged securities. In the event that the securities are not registered or inscribed in the name of the local government, such securities shall be delivered in a form suitable for transfer or with the Town of [REDACTED] or its custodial bank.

The custodial agreement shall provide that securities held by the bank or trust company, or agent of and custodian for, the local government, will be kept separate and apart from the general assets of the custodial bank or trust company and will not, in any circumstances, be co-mingled with or become part of the backing for any other deposit or other liabilities. The agreement should also describe that the custodian shall confirm the receipt, substitution or release of the securities. The agreement shall provide for the frequency of revaluation of eligible securities and for the substitution of securities when a change in the rating of a security may cause ineligibility. Such agreement shall include all provisions necessary to provide the local government a perfected interest in the securities.

Section 10 – Permitted Investments

As authorized by General Municipal Law, §11, the Town of [REDACTED] authorizes the Chief Fiscal Officer, or other officer *so designated*, having custody of money, to invest moneys not required for immediate expenditure for terms not to exceed its projected cash flow needs in the following types of investments:

- ✓ Special time deposit accounts authorized to do business in New York State;
- ✓ Certificates of deposit;
- ✓ Obligations of the United States of America;
- ✓ Obligations guaranteed by agencies of the United States of America where the payment of principal and interest are guaranteed by the United States of America;
- ✓ Obligations of the State of New York;
- ✓ Obligations issued pursuant to LFL §24.00 or 25.00 (with approval of the State Comptroller) by any municipality, school district or district corporation other than the Town of [REDACTED];
- ✓ Obligations of public authorities, public housing authorities, urban renewal agencies and industrial development agencies where the general State statutes governing such entities or whose specific enabling legislation authorizes such investments.
- ✓ Certificates of Participation (COPs) issued pursuant to GML, §10997b,
- ✓ Obligations of this local government, but only with any moneys in a reserve fund established pursuant to GML, §6-c, 6-d, 6-e, 697g, 6-h, 697j, 6-k, 6-l,

6-in, or 6-n.

All investment obligations shall be payable or redeemable at the option of the Town of [REDACTED] with in such times as the proceeds will be needed to meet expenditures for purposes for which the moneys were provided and, in the case of obligations purchased with the proceeds of bonds or notes, shall be payable or redeemable at the option of the Town of [REDACTED] within two years of the date of purchase. The designated depository will confirm all purchases and transactions in writing to the Town of [REDACTED]

Section 11 – Authorized Financial Institutions and Dealers

The Town of [REDACTED] shall maintain a list of financial institutions and dealers approved for investment purposes and establish appropriate limits to the amount of investments, which can be made with each financial institution or dealer. All financial institutions with which the local government conducts business must be credit worthy. Banks shall provide their most recent Consolidated Report of Condition (Call Report) at the request of the Town of [REDACTED]. Security dealers not affiliated with a bank shall be required to be classified as reporting dealers affiliated with the New York Federal Reserve Bank, as primary dealers. The Chief Fiscal Officer, or other officers *so designated*, having custody of money, is responsible for evaluating the financial position and maintaining a listing of proposed depositories, trading partners and custodians. Such listing shall be evaluated at least annually.

Section 12 - Purchase of Investments

The Chief Fiscal Officer, or other officers *so designated*, having custody of money, is authorized to contract for the purchase of investments:

1. Directly, including through a repurchase agreement, from an authorized trading partner.
2. By participation in a cooperative investment program with another authorized governmental entity pursuant to Article 5G of the General Municipal Law where such program meets all the requirements set forth in the Office of the State Comptroller Opinion No. 88-46, and the specific program has been authorized by the *Town Board*.
3. By utilizing an ongoing investment program with an authorized tracking partner pursuant to a contract authorized by the *Town Board*.

All purchased obligations, unless registered or inscribed in the name of the local government, shall be purchased through, delivered to and held in the custody of a bank or trust company. Such obligations shall be purchased, sold or presented for redemption or payment by such bank or trust company only in accordance with prior written authorization from the officer authorized to make the investment. All such transactions shall be confirmed in writing to the Town of [REDACTED] by the bank or trust company. Any obligation held in the custody of a bank or trust company shall be held pursuant to a written custodial agreement as described in General Municipal Law, §10.

The custodial agreement shall provide that securities held by the bank or trust company, as agent of and custodian for, the *Town of* [REDACTED] will be kept separate and apart from the general assets of the custodial bank or trust company and will not, in any circumstances, be commingled with or become part of the backing for any other deposit

or other liabilities. The agreement shall describe how the custodian shall confirm the receipt and release of the securities. Such agreement shall include all provisions necessary to provide the *Town of [REDACTED]* a perfected interest in the securities.

Section 13 – Operations, Audit and Reporting

The Chief Fiscal Officer, or other officer *so designated*, having custody of money, shall authorize the purchase and sale of all securities and execute contracts on behalf of the Town of [REDACTED]. Oral directions concerning the purchase, transaction, or sale of securities shall be confirmed in writing. The Town of [REDACTED] shall pay for purchased securities upon delivery.

The Town of [REDACTED] will encourage the purchase and sale of securities through a competitive or negotiated process involving telephone solicitations of at least three bids for each transaction.

At the time independent auditors conduct the annual financial audit of the accounts and affairs of the Town of [REDACTED] the auditors shall audit *compliance with* the Investment Guidelines.

Within sixty days of the end of each of the first three quarters of the fiscal year, the Chief Fiscal Officer, or other officer *so designated*, having custody of money, shall prepare and submit to the Town Board a quarterly investment report which indicates new investments, the inventory of existing investments, and such other matters as the Chief Fiscal Officer deems necessary.

Within 120 days of the end of the fiscal year, the Chief Fiscal Officer, or other officer *so designated*, having custody of money, shall prepare and submit to the Town Board, an annual investment report; recommendations for change in these Investment Guidelines; the result of the independent audit; the commission of other charges, if any, paid to the Custodial Bank and such other matters as deemed appropriate by the Chief Fiscal Officer, or other officer *so designated*, having custody of money.

The *Town* Board of the Town of [REDACTED] shall review and approve the annual investment report at its Annual Reorganization meeting.

The provisions of these Investment Guidelines and any amendments hereto, shall take effect prospectively, and shall not invalidate the prior selection of any custodial bank or prior investment.

Adopted on the *5th day of August 2002* by unanimous vote of the Governing Board of the Town of [REDACTED]. Revised according to 2003 Reorganization of the *6th day of January 2003*.

[REDACTED] Town Clerk

Town of [REDACTED] NY

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Appendix A

Schedule of Eligible Securities

- Obligations issued, or fully insured or guaranteed as to the payment of principal and interest, by the United States of America, an agency thereof or a United States government sponsored corporation.
- Obligations issued or fully guaranteed by the International Bank for reconstruction and Development, the Inter-American Development Bank, the Asian Development Bank, and the African Development Bank.
- Obligations partially insured or guaranteed by any agency of the United States of America, at a proportion of the Market Value of the obligation that represents the amount of the insurance or guaranty.
- Obligations issued or fully insured or guaranteed by the State of New York, obligations issued by a. municipal corporation, school district or district corporation of such State or obligations of any public benefit corporation which under a specific State statute may be accepted as security for deposit of public moneys.
- Obligations issued by states (other than the State of New York) of the United States rated in one of the three highest rating categories by at least one nationally recognized statistical rating organization.
- Obligations of Puerto Rico rated in one of the three highest rating categories by at least one nationally recognized statistical rating organization.
- Obligations of counties, cities and other governmental entities of a state other than the State of New York having the power to levy taxes that are backed by the full faith and credit of such governmental entity and rated in one of the three highest rating categories by at least one nationally recognized statistical rating organization.
- Obligations of domestic corporations rated in one of the two highest rating categories by at least one nationally recognized statistical rating organization.
- Any mortgage related securities, as defined in the Securities Exchange Act of 1934, as amended, which may be purchased by banks under the limitations established by bank regulatory agencies.
- Commercial paper and bankers' acceptances issued by a bank, other than the Bank, rated in the highest short term category by at least one nationally recognized statistical rating organization and having maturities of not longer than 60 days from the date they are pledged.
- Zero coupon obligations of the United States government marketed as "Treasury strips"

References

- ❖ General Municipal Law §10 – Deposit of Public Money
- ❖ General Municipal Law §11 – Temporary Investments
- ❖ General Municipal Law §39 – Investment Policies for Local Governments
- ❖ General Municipal Law §453 – Sewer Rents
- ❖ Local Finance Law §24 & §25
- ❖ Local Finance Law §165
- ❖ Town Law §55 – Reserve Funds
- ❖ United States Code §1821a 2a – FDIC Coverage
- ❖ Article 5G – Municipal Cooperation
- ❖ Banking Law §107-a – Security for Public Deposits
- ❖ Highway Law §114-3 – County Road Fund
- ❖ Highway Law §133 – County Road Machinery Fund
- ❖ Financial Management Guide for Local Governments Section – Cash Management and Investment Policies and Procedures
 - Subsection - Appendix C – Deposits and Investment Statutes – 2.1125
 - Subsection – Appendix D – Schedule of Eligible Securities – 2.1130
 - Subsection – Appendix E – Security and Custodial Agreement - 2.1135
 - Subsection – Appendix F – General Custody Agreement – 2.1140
 - Subsection – Appendix G – Master Repurchase Agreement – 2.1145
- ❖ January 6, 2003 Town Board Minutes – 2003 Annual Reorganization

SAMPLE
MUNICIPAL VEHICLE USAGE POLICY

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TOWN VEHICLES

The Town shall provide vehicles for various departments and employees for the purpose of conducting Town business when determined necessary by the Town Board.

All vehicle maintenance is the responsibility of the Fleet Manager. No political paraphernalia or other markings such as bumper stickers, signs or advertisements are allowed on Town vehicles.

Any employee who is charged with a traffic violation while driving a Town vehicle shall be held personally responsible for the payment of any fines incurred during such use. In addition, the employee shall bring such violation(s) to the attention of their Department Head through written memorandum.

Any employee who is involved in an accident with a Town vehicle regardless of severity, shall obtain a Police Accident Report on the circumstances of the accident. The Department Head will in turn submit such report to the Town's Insurance Carrier.

The use of Town vehicles for personal purposes, use by unauthorized individuals, or operation of a Town vehicle in an unsafe manner is strictly prohibited. Any such use will result in the revocation of vehicle use privileges and or other disciplinary action as deemed appropriate and necessary by the Town Board.

NOTE: For positions requiring licensure, annual license checks will be required. Employees should request a certified copy of their driving record from DMV and submit the report to their supervisor.

NOTE: License revocations, suspensions and other limitations and restrictions must be reported to your supervisor within 24 hours of the notification, and may affect your title and salary grade.

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